

FINANCING AGREEMENT SPECIAL CONDITIONS

The European Commission, hereinafter referred to as "**the Commission**", acting on behalf of the European Union, hereinafter referred to as "**the Union**",

of the one part, and

Montenegro, hereinafter referred to as "**IPA II beneficiary**", represented by the Government of Montenegro,

of the other part,

have agreed as follows:

Article 1 - The Programme

- (1) The Union agrees to finance and the IPA II beneficiary agrees to accept the financing of the following Programme:

Country Action Programme for Montenegro for the year 2017 (Objective 1 and Objective 2) – IPA/2017/040-216 and IPA/2017/039-816.

This Programme is financed from the Union Budget under the following basic act: Instrument for Pre-Accession Assistance, IPA II.¹

- (2) The total estimated cost of this Programme is EUR 16,156,529 and the maximum Union contribution to this Programme is set at EUR 13,511,103.

This Programme requires financial contributions from both the IPA II beneficiary and the Union. The breakdown of the respective financial contributions is set out in Annex I.

- (3) The Programme shall be implemented in accordance with the description provided in Annex I, which is further detailed in Action documents to be agreed on by exchange of letters between the Commission and the IPA II beneficiary.

¹ Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II), OJ L 77, 15.03.2014, p. 11.

Article 2 – Execution period and operational implementation period

- (1) The execution period of this Financing Agreement as defined in Article 12 of Annex II (General Conditions) is fixed at 12 years, from the entry into force of this Financing Agreement.
- (2) The duration of the operational implementation period as defined in Article 12 of Annex II (General Conditions) is fixed at 6 years, from the entry into force of this Financing Agreement.

Article 3 – Addresses and Communication

All communication concerning the implementation of this Financing Agreement shall be in writing, shall refer expressly to this Programme as identified in Article 1(1) and shall be sent to the following addresses:

(1) for the Commission

Ms Genoveva Ruiz Calavera
Director D, Western Balkans
Directorate- General for Neighbourhood and Enlargement Negotiations
European Commission, 15 Rue de la Loi
B- 1049 Brussels, Belgium
E-mail: NEAR-D1@ec.europa.eu

(2) for the IPA II beneficiary

Ms Ivana Glišević Đurović
National IPA Co-ordinator, Deputy Chief Negotiator
Office for European Integration
Bulevar revolucije, br. 15
81000 Podgorica
Montenegro
E-mail: ivana.glisevic@mep.gov.me

Article 4 – OLAF contact point

The contact point of the IPA II beneficiary having the appropriate powers to cooperate directly with the European Anti-Fraud Office (OLAF) in order to facilitate OLAF's operational activities shall be:

Ms Nataša Kovačević
AFCOS contact point/AFCOS office
Ministry of Finance of Montenegro
Stanka Dragojevića 2, 81000 Podgorica, Montenegro
Tel: + 382 20 224 480
Fax: + 382 20 224 450.

Article 5 – Framework Agreement

The Programme shall be implemented in accordance with the provisions of the Framework Agreement between the European Commission and Montenegro on the arrangements for implementation of Union financial assistance to the Government of Montenegro under the Instrument for Pre-Accession Assistance (IPA II) which entered into force on 04 June 2015 (hereafter referred to as “the Framework Agreement”). This Financing Agreement supplements the provisions of the Framework Agreement. In case of conflict between, on the one hand, the provisions of this Financing Agreement and, on the other hand, the provisions of the Framework Agreement, the latter shall take precedence.

Article 6 – Annexes

(1) This Financing Agreement is composed of:

- (a) these Special Conditions;
- (b) Annex I: Annual Action Programme, detailing the objectives, expected results, activities, description of the budget-implementation tasks entrusted and budget of this Programme;
- (c) Annex II: General Conditions;
- (d) Annex III: Model Annual Report on the implementation of IPA II assistance as per Article(s) 58 and 59(1) of the Framework Agreement;
- (e) Annex IV: Model Financial Report as per Article 59(2) of the Framework Agreement;
- (f) Annex V: Accrual Based Accounting System Minimum Specification;
- (g) Annex VI: *Ad hoc* measures for entrusting budget implementation tasks under this Programme.

(2) In the event of a conflict between, on the one hand, the provisions of the Annexes and, on the other hand, the provisions of these Special Conditions, the latter shall take precedence. In the event of a conflict between the provisions of Annex I and/or Annex IA on the one hand and, the provisions of Annex II, on the other hand, the latter shall take precedence.

(3) Annex VI provides for *ad hoc* measures for entrusting budget implementation tasks under this Programme, in addition to the IPA II beneficiary duties in regard to the entrustment of budget implementation tasks provided for under this Financing Agreement, in particular Annex II.

Article 7 – Provisions derogating from or supplementing Annex II

It is not possible to re-allocate funds between the amount of EUR 3 868 853 of global commitment number IPA/2017/040-216 and the amount of EUR 9 642 250 of global commitment number IPA/2017/039-816.

Article 8 – Entry into force

This Financing Agreement shall enter into force on the date on which it is signed by the last party at the latest, 31 December 2018.

This Financing Agreement is drawn up in duplicate in the English language, one being handed to the Commission and one to the IPA II beneficiary.

For the IPA II beneficiary:

For the Commission:





Ms Ivana Glišević Đurović

National IPA Co-ordinator, Deputy Chief
Negotiator

Office for European Integration

Podgorica, 17/12/18


Ms Genoveva Ruiz Calavera p.o. Wolfe

Director D, Western Balkans

Directorate-General for Neighbourhood and
Enlargement Negotiations

Brussels, 20/9/18

ANNEX I

Annual Action Programme for Montenegro for the year 2017 part 1

1 IDENTIFICATION

Beneficiary	<i>Montenegro</i>
CRIS/ABAC Commitment references	IPA/2017/040-216 EUR 3 868 853 (22.020101) IPA/2017/039-816 EUR 9 642 250 (22.020102)
Total cost	IPA/2017/040-216 EUR 4 812 705
EU Contribution	EUR 3 868 853 IPA/2017/039-816 EUR 11 343 824 EUR 9 642 250
Budget line	22.020101 and 22.020102
Management Mode/ Entrusted entities	<p>Indirect management by the entrusted entities listed below:</p> <ul style="list-style-type: none"> – <i>Central Finance and Contracting Unit / Directorate for the Financing and Contracting of EU Assistance Funds (CFCU), Ministry of Finance, For Action 1</i> – <i>In case of action “Participation in Union Programmes”, implementation will consist in the payment of the IPA part of the financial contribution to the programmes by the National Fund.</i> – <i>Directorate of Public Works, Ministry of Sustainable Development and Tourism for Action 3</i> <p>The following lead institutions will be responsible for the execution of the Actions:</p> <ul style="list-style-type: none"> – <i>Ministry of European Affairs for Action 1 and 2</i> – <i>Ministry of Transport and Maritime Affairs for Action 3</i>

Final date for concluding <u>Financing Agreements</u> with the IPA II beneficiary	At the latest by 31 December 2018
Final date for concluding <u>procurement and grant contracts</u>	3 years following the date of conclusion of the Financing Agreements, with the exception of the cases listed under Article 189(2) Financial Regulation
Final date for operational implementation	6 years following the date of conclusion of the Financing Agreements.
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreements.
Programming Unit	DG NEAR Unit D.1 Montenegro
Implementing EU Delegation	Delegation of the European Union to Montenegro

2 DESCRIPTION OF THE ACTION PROGRAMME

2.1 SECTORS SELECTED UNDER THIS ACTION PROGRAMME

- **Rationale for the selection of the specific sectors under this programme:**

The Annual Action Programme (AAP) for Montenegro for the year 2014 contributed to the achievement of the objectives identified in the Indicative Strategy Paper 2014-2020 (ISP) of Montenegro¹ through formulating actions covering six of the eight priorities defined in the ISP. The first sectors covered by IPA II funds included *Democracy and governance*, the *Rule of law and fundamental rights*, *Environment and Climate Action*, *Transport*, *Competitiveness and Innovation*, and the *Agriculture and rural development* sector. Following the sector approach the *Annual Action Programme for Montenegro for the year 2015* covered *Democracy and governance* and the *Rule of law and fundamental rights* sectors. It also included the first sector budget support programme aimed at supporting the implementation of the Integrated Border Management Strategy.

Formulation of the *Action Programme for the year 2016* also followed the principle of sector approach. In 2015 Montenegro developed a *Regional Development Operational Programme 2016-2020 (RDOP)* to provide a multiannual framework for IPA programming in *Environment*, *Competitiveness and Transport* sectors. The RDOP also defined the sequencing of the activities; the actions planned for 2016-2017 focus mainly on technical assistance, capacity building and project preparation, while from 2018 onwards competitiveness schemes will be introduced and physical infrastructure developments can be launched. Three actions have been prepared in parallel, each covering one of the three sectors identified in the RDOP. All of them also complement the previous IPA II support programmes implemented in the sectors. The *Action Programme for the year 2016* included the actions focusing on economic development and growth by providing assistance to the *Environment and Climate Action* and *Competitiveness and Innovation* sectors. The third action aiming at the improvement and development of the **Transport sector** with a total EU contribution of **EUR 9 642 250** is the main intervention in the present Annual Action Programme for Montenegro for the year 2017 – 2017 AAP(Action 3).

In addition to the assistance provided to the Transport sector, the IPA allocation of 2017 funds also targets the **Democracy and Governance** sector through setting up an EU Integration Facility with **EUR 2 898 000** EU contribution (Action 1) and supporting the participation of Montenegro in Union Programmes with a total EU contribution of **EUR 970 853**. The EU Integration Facility (EUIF) focuses mainly on technical support and capacity building related to the EU accession process. By ensuring the effectiveness and impact of actions financed through IPA II, the EUIF will also help the preparation for future cohesion and structural funds. Action 2 ensures Montenegro's participation in European Programmes by co-financing the participation fees or entry tickets.

The three actions are in line with the strategic objectives of the 2014 – 2020 Indicative Strategy Paper for Montenegro. With a **total EU contribution** of **EUR 13 511 103**, the 2017 AAP will bring added value to Montenegro, as well as to the European Union by supporting the integration process and the economic development of Montenegro. The 2017 allocation will help the country to modernise its transport infrastructure and to build the necessary

¹ C(2014)5771 of 18.08.2014 – Commission Implementing Decision adopting an Indicative Strategy Paper for Montenegro for the period 2014-2020"

capacities within the national institutions to support the negotiation process and the alignment of the national legislation with the EU Acquis.

- **Overview of past and on-going EU, other donors' and/or IPA II beneficiary's actions in the relevant sectors:**

In the **Democracy and Governance** sector, previous IPA actions provided support to set up an EU Integration Facility with a total EU contribution of EUR 4.6 million in 2014 and EUR 2.45 million in 2015. Regarding the Participation in Union Programmes, the 2014 and 2015 Annual Action Programmes for Montenegro support of EUR 0.86 million and EUR 1.68 million respectively covered the costs of participation fees for 2014-2015 and 2016-2017. Other previous Actions in the sector addressed the reform of the civil service and its legal framework. The 2014 programme included a number of actions linked to Public Financial Management.

Regarding the activity of other development partners and EU Member States, no "lead donor" was identified for the sector. Most donors have phased out their assistance from Montenegro. As a result, the European Union remains by far the principal donor in several areas. The United Nations Development Programme and the Organisation for Economic Cooperation and Development through the EU-funded Support for Improvement in Governance and Management (SIGMA) programme, have been key partners on enhancing good governance and participatory democracy. The Council of Europe Horizontal Facility (another EU funded initiative) also provides technical assistance and expertise to Montenegro in the areas of ensuring justice; fighting corruption, economic crime and money laundering; promoting freedom of expression and information; and promoting anti-discrimination and protection of the rights of vulnerable groups.

In the **Transport** sector, under the financial perspective 2007-2013, IPA assistance supported projects in the transport sector with more than EUR 23.4 million, mainly focusing on approximation with transport acquis, capacity building actions and infrastructure development, predominantly in the area of railways and maritime transport. Previous IPA actions targeted the development of the Bar-Belgrade corridor offering combined maritime-railway transport. In the area of road transport, IPA funded improvements to regional traffic flow conditions. Under IPA 2014 an EU contribution of EUR 5.18 million was provided to two actions aiming at the development of a road network database and safety assessment program (EUR 1.04 million) and the rehabilitation of the railway section Kos-Trebesica (EUR 4.14 million).

Additionally, through the Western Balkans Investment Framework blending facility, the participating institutions and countries also delivered important funding for strategic investment projects in the sector in the form of project preparation (five projects are under preparation or are already completed including projects for road improvement, construction of priority bypass and safety improvements on the railway line) or technical assistance (in total 12 grant projects including 5 completed).

Besides the EU, the Transport sector has also attracted several bilateral donors such as Czech Republic, Germany, France and Italy, as well as International Financial Institutions (IFIs) such as the European Investment Bank (EIB) and European Bank for Reconstruction and Development (EBRD) among others. International donors are playing an active role in providing assistance to finance both road and railway infrastructure projects. Recent EIB loans will support road rehabilitation and city bypass constructions (EUR 30 million). Previously, EIB loans financed the rehabilitation of roads and bridges and the development of the railway infrastructure. EBRD also financed urgent road and rail rehabilitation projects and supported the modernisation of airport infrastructures.

Moreover, an agreement between Montenegro and China will support the construction of the Smokovac-Matesevo segment of the Bar-Boljare highway.

Experiences gained during the previous programming periods and implementation of previous projects shows some important **lessons learned** which need to be taken into account for future IPA assistance, in order to avoid possible overlaps and also to ensure that issues identified during the programming and/or implementation of previous projects will be addressed:

Strategic planning and programming:

In the context of preparation of IPA national programmes, it has become clear that beneficiaries require assistance in developing programmes and actions and that it is in particular necessary to provide a facility to enable limited support targeted specifically at the design-preparation phase before larger scale funds are committed to less-well defined and relatively high-risk actions. The government's strategic planning, **project prioritisation** and especially project implementation capacities need to be strengthened. Past experience shows that it is important to regularly update Strategic Planning documents, which are prioritised, based on the most recent reliable data. **Financial programming of infrastructure projects** requires special attention taking into account complementary studies such as environmental impact assessment, economic and financial feasibility, cost-benefit methodology and affordability limitations (fiscal space).

During the programming, more **focus should be given to sustainability** concerns having in mind that high employee turnover, reliance on temporary staff and lack of expert skills in the administration hinder proper implementation of policies and projects.

Sector approach:

Regarding the implementation of the EU Integration Facility under the national IPA 2014 programme, the experience shows that the beneficiary institutions are still relaying in general on the IPA "project approach". The sector approach concept should be **further internalised** for future IPA support in Montenegro, **avoiding isolated infrastructure projects**, and focusing more on the accession process, building among others the required capacities for a successful implementation of EU acquis.

Project implementation:

The implementation of projects requires that institutions have adequate staff capacities available for working on activities during the lifetime of the project. IPA assistance should be improved by **improving communication and coordination**, increasing administrative and monitoring capacity, better linking EU assistance to national sector strategies and action plans.

Lack of **mature projects and pipelines** of projects has been identified as one of the elements hindering IPA implementation. Projects should be analysed not only from the relevance but as well from the maturity point of view. **Project gap assessments** have to be carried out in order to identify the project's needs for being ready for implementation. For those projects being identified as a priority, measures need to be put in place in order to address well in advance the gaps and to finalise technical studies together with all necessary complementary documentations.

Internal capacities in the line Ministries for preparing adequate Tender dossiers have **to be reinforced**. On the other hand, the recent experience gained at the Directorate of Public Works as an Implementing body for contracting within the transport sector will facilitate a faster implementation during the next programming period.

Coordination among stakeholders:

As coordination among stakeholders is recognized as a problem, its overcoming will require comprehensive and clear information flows and focus on common understanding of responsibilities, obligations and deadlines. Additionally, competent authorities need to be proactive in cooperation with relevant internal and external stakeholders at central and local level. Coordination should also envisage formalised mechanisms to involve the relevant external stakeholder in the implementation and monitoring of policies and programmes.

List of Actions foreseen under the selected Sectors/Priorities:**Democracy and Governance**

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS	
Action 1 "EU Integration Facility"	EUR 2 898 000		
Action 2 "Support to participation in Union Programmes"	EUR 970 853		
TOTAL	EUR 3 868 853	TOTAL	

Transport

INDIRECT MANAGEMENT WITH THE IPA II beneficiary		OTHER IMPLEMENTATION ARRANGEMENTS	
Action 3 "EU Support to Transport Development"	EUR 9 642 250		
TOTAL	EUR 9 642 250	TOTAL	

2.2 DESCRIPTION AND IMPLEMENTATION OF THE ACTIONS

SECTOR	<i>Democracy and Governance</i>		3 868 853 EUR
Action 1	EU Integration Facility	Indirect management by the Beneficiary	2 898 000 EUR

(1) Description of the Action, objective, expected results and key performance indicators

Description of the Action and objective:

The purpose of the EU Integration Facility (EUIF) is to provide high quality, cost-effective expertise to Chief Negotiator / National IPA coordinator but also to sector working groups, line ministries and all other relevant institutions or stakeholders in the overall process of EU accession, IPA II programming and implementation and preparation for cohesion and structural funds.

This Action would focus mainly on technical support and capacity building related to the EU accession process and it should ensure effectiveness and impact of actions financed through IPA II. The EUIF shall provide support to the national authorities aimed at addressing specific needs identified in the course of the implementation of IPA II, but it may also be used in ad-hoc circumstances where EU assistance is required and/or suggested.

The general objective of this action is:

- To support Montenegro in successfully conducting the process of EU accession and managing the overall EU assistance

The specific objectives of the action are:

- To strengthen overall capacities for accession negotiations, transposition of the acquis and implementation of EU policies;
- To improve the quality and maturity of planning and programming documents and support effective and efficient management and absorption of IPA funds

Expected results:

- Legislative and institutional capacities of Montenegrin administration for transposition and implementation of the acquis and capacities for leading and carrying out the accession negotiations strengthened
- Capacities and relevant documentation for identification, programming, implementation and evaluation of EU assistance developed

Key performance indicators: The following indicators are proposed to measure the progress in implementation:

- Progress in accession to the EU
- Number of benchmarks met
- % of EU funds absorption

(2) Assumptions and conditions

Establishment and functioning of all relevant coordination mechanisms, as well as availability and commitment of the staff for capacity building interventions, represent the main assumptions that are needed before and during the implementation of this action.

Also, high fluctuation in staff working in state administration, particularly in the beneficiary institutions, represents potential risk that can affect implementation of this action.

Continued commitment of government structures to the accession process is one of the main conditions that have to be in place for an effective and timely implementation of this action. Government of Montenegro has expressed its strong commitment to membership of the European Union, which remains as one of Montenegro's highest strategic priorities.

(3) Implementation arrangements for the action

This action will be implemented in indirect management by Montenegro.

(3)(a) Entity entrusted with budget implementation tasks:

This action will be managed under indirect management by the Directorate for Finance and Contracting of the EU Assistance Funds (CFCU) in the Ministry of Finance

(3)(b) Short description of the tasks entrusted to the entity

The entrusted entities shall be responsible for carrying out all the tasks relating to the implementation of the action. In particular, the entrusted entities shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

Action 2	Support to participation in Union Programmes	Indirect management by the Beneficiary	970 853 EUR
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(1) Description of the Action, objective, expected results and key performance indicators

Description of the Action and objective:

Protocol 8 of the *Association and Stabilisation Agreement* provides the legal basis and establishes the general principles of Montenegro's participation in Union Programmes. On this basis, Montenegro has already signed Agreements to participate in a number of Union Programmes in areas such as education, science, culture, employment, entrepreneurship and innovation, taxation, custom system etc. The action will strengthen ownership and responsibility of Montenegro (including in financial terms) for participation in Union Programmes, and will contribute to an increase in the exchanges with EU Member States.

The objective of the action is:

- To ensure participation of Montenegro in Union Programmes by co-financing the costs of the entry-tickets/participation fees to be paid in areas such as set out in the respective international agreements governing the participation to Union programmes or agencies.

Expected results:

- Enabled and enhanced participation of Montenegro in Union Programmes, including increased exchanges with EU Member States;
- Strengthened ownership and responsibility of Montenegro (including in financial terms) for participation in Union Programmes.

Key performance indicators: The below indicators are proposed for measuring the performance:

- Number of programmes for which an International Agreement has been concluded;
- Montenegro's participation rates in the different Union Programmes.

(2) Assumptions and conditions

Each institutions signatory of an Agreement for participation to a Union Programme ensures sufficient budget allocation to pay annual contributions.

Montenegro is responsible to pay the full amount of the entry ticket, prior to receiving the partial reimbursement from IPA II. The reimbursement will be paid as a grant to Montenegro. Following the reimbursement of the ticket from IPA funds, national co-financing will amount to at least EUR 943 852.

(3) Implementation arrangements for the action:

This action will be implemented in indirect management by Montenegro.

(3)(a) Entity entrusted with budget implementation tasks:

This action will be managed under indirect management by the **National Fund Division** in the Ministry of Finance.

(3)(b) Short description of the tasks entrusted to the entity:

This Action will consist of the payment of the IPA part of the financial contribution to the programmes by the National Fund.

SECTOR	Transport		9 642 250 EUR
Action 3	EU Support to Transport Development	Indirect management by Montenegro	9 642 250 EUR

(1) Description of the action, objective, expected results and key performance indicators

Description of the action and objective:

This action benefits the railway, maritime/inland water land and road transport modes in terms of capacity building and acquis alignment. This action aims to combine support to the railway and maritime and inland waterways transport mode. In addition to supporting key infrastructure improvements and safety and security equipment, the Action aims also to strengthen capacities within the main relevant stakeholders in the transport sector (Ministry of

Transport and Maritime Affairs of Montenegro, Railway companies, Maritime Safety Department and Directorate for Public Works among others) as well to align national legislation with the *acquis* in order to complete the necessary steps for the EU accession. Finally, past EU funding experience through IPA 2007-2013 has highlighted the necessity to concentrate on building a wider and better prepared consolidated project pipeline reaching sufficient level of maturity for investment projects. The Single Project Pipeline has now defined the way to prioritize the infrastructures in line with the strategic planning and programming mechanisms, on both the Core and Comprehensive networks, with a particular focus on quick gains and removing bottlenecks at the borders with neighbours.

The general objective of the action is:

- To improve the transport system in Montenegro in terms of quality, efficiency and safety by ensuring alignment to EU standards and facilitating inter-connection of Montenegro with the neighbouring countries and the EU

The specific objective of the action is:

- To ensure alignment of the national legislation with the EU transport *acquis* and to increase the capacities for its implementation, as well as to improve rail, maritime and inland waterways transport

Expected results:

- Improved transport conditions and travel times on the railway corridor Bar–Vrbnica;
- Improved safety standards concerning maritime and inland transport;
- Improved capacity within national transport institutions and alignment with EU *acquis*.

Key performance indicators: Progress will be measured according to a number of key indicators, including:

- Logistics performance Index (LPI) for infrastructure
- Overall assessment of level of preparations of Montenegro under chapters 14 and 21

(2) Assumptions and conditions:

This action comes to support Montenegro in the process of improving its transport sector in the context of the Berlin Process and the Connectivity Agenda. Montenegro will also undertake to ensure that the conditions underlying the action are fully met throughout its implementation, as well as after its completion:

- Effective cooperation among the Ministry and the other competent authorities in the Transport sector;
- Continued implementation of the soft measures identified in the context of the Berlin process and the Connectivity Agenda;
- Successful continuation and realization of planned activities and commitment of all involved (Ministry and other stakeholders) to actively participate in the project;
- Montenegro remains committed to undertake horizontal public administration reforms;
- Costs of maintenance and operation for new institutions and equipment, as well as salaries of new staff are envisaged and ensured.

(3) Implementation arrangements for the action:

This action will be implemented in indirect management by Montenegro.

(3)(a) Entity entrusted with budget implementation tasks:

This action will be managed under indirect management by the **Directorate of Public Works (DPW)**.

(3)(b) Short description of the tasks entrusted to the entity:

The entrusted entities shall be responsible for carrying out all the tasks relating to the implementation of the Action. In particular, the entrusted entities shall be responsible for the contracting, implementation, information and visibility, monitoring and reporting of IPA II activities, and the evaluation thereof whenever relevant, in accordance with the principle of sound financial management, and for ensuring the legality and regularity of the expenditure incurred in the implementation of the programme.

DPW, as the Implementing Agency under IPA, bears the sole responsibility for the proper implementation of all contracts in line with the relevant contractual provisions and the requirements governing the indirect management of EU assistance. Railway Infrastructure of Montenegro (ZICG AD) will provide support to the DPW whereby ensuring the proper technical implementation of the contract activities. In this regard, the DPW and Ministry of Transport and Maritime Affairs (MTMA) will closely cooperate throughout the contracts implementation process.

The MTMA and the Maritime Safety Department (MSD) will be the leading institutions concerning project execution.

The overall responsibility for the development, management and coordination of the transport sector in Montenegro lies within the MTMA, which will coordinate activities among stakeholders and define the time frame for the implementation of activities. Allocation of infrastructure facilities to all interested railway undertakings lies within the ZICG AD joint-stock company, established according to the Strategy of restructuring of the Railways of Montenegro.

The MDS will ensure conditions for, and actual performance of tasks stemming from the international obligations that the State has agreed to by signing conventions, agreements and protocols, related to the safety and security of navigation in the area of responsibility of the Contracting Government. They will actively participate in project implementation and will be final beneficiary of response equipment.

3 BUDGET

3.1 INDICATIVE BUDGET TABLE - ANNUAL ACTION PROGRAMME FOR MONTENEGRO FOR THE YEAR 2017

		Indirect Management with the IPA II beneficiary				Other implementation arrangements					
		EU Contribution	IPA II beneficiary Co-financing	Total expenditure		EU Contribution	IPA II beneficiary Co-financing	Total expenditure	MIM	Total programme	Total EU Contribution
Objective 1	01 - Democracy and Governance	3 868 853	943 852	4 812 705						4 812 705	3 868 853
	Action 1 "EU Integration Facility"	2 898 000	0.00	2 898 000					Indirect		
	Action 2 "Support to participation in Union Programmes"	970 853	943 852	1 914 705					Indirect		
Objective 2	04 Transport	9 642 250	1 701 574	11 343 824						11 343 824	9 642 250
	Action 3 "EU Support to Transport Development"	9 642 250	1 701 574	11 343 824					Indirect		
	TOTALS	13 511 103	2 645 426	16 156 529		0.00	0.00	0.00		16 156 529	13 511 103

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4 IMPLEMENTATION MODALITIES AND GENERAL RULES FOR PROCUREMENT AND GRANT AWARD PROCEDURES

INDIRECT MANAGEMENT:

This programme shall be implemented in indirect management by Montenegro in accordance with the Financial Regulation.

5 PERFORMANCE MONITORING ARRANGEMENTS

As part of its performance measurement framework, the Commission shall monitor and assess progress towards achievement of the specific objectives set out in the IPA II Regulation on the basis of pre-defined, clear, transparent measurable indicators. The progress reports referred to in Article 4 of the IPA II Regulation shall be taken as a point of reference in the assessment of the results of IPA II assistance.

The Commission will collect performance data (process, output and outcome indicators) from all sources, which will be aggregated and analysed in terms of tracking the progress versus the targets and milestones established for each of the actions of this programme, as well as the Indicative Strategy Paper.

In the specific context of indirect management by IPA II beneficiaries, National IPA Co-ordinators (NIPACs) will collect information on the performance of the actions and programmes (process, output and outcome indicators) and coordinate the collection and production of indicators coming from national sources.

The overall progress will be monitored through the following means: a) Result Orientated Monitoring (ROM) system; b) IPA II Beneficiaries' own monitoring; c) self-monitoring performed by the EU Delegations; d) joint monitoring by DG Enlargement and the IPA II Beneficiaries, whereby the compliance, coherence, effectiveness, efficiency and coordination in implementation of financial assistance will be regularly monitored by an IPA II Monitoring committee, supported by Sectoral Monitoring committees, which will ensure a monitoring process at sector level.

ANNEX II - GENERAL CONDITIONS

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Part One: Provisions Applicable to Activities for which the IPA II beneficiary is the Contracting Authority

Article 1 - General principles

- (1) The purpose of Part One is to lay out the rules for implementing the entrusted budget-implementation tasks as described in Annex I and to define rights and obligations of the IPA II beneficiary and the Commission respectively in carrying out these tasks.

Part One shall apply to the budget-implementation tasks entrusted to the IPA II beneficiary related to the Union contribution alone, or combined with funds of the IPA II beneficiary or funds of a third party, in case such funds are implemented in joint co-financing, i.e. where they are pooled.

- (2) The IPA II beneficiary shall remain responsible for the fulfillment of the obligations stipulated in this Financing Agreement and in the Framework Agreement, even if it sub-delegates to other entities identified in Annex I to carry out certain entrusted budget implementation tasks. The Commission, in particular, reserves the right to suspend payments, and to suspend and/or terminate this Financing Agreement on the basis of the acts, omissions and/or situations of any designated entity.

- (3) The tasks referred to in paragraph 1 of this Article shall be carried out by the IPA II beneficiary in accordance with the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts in external actions, in force at the time of the launch of the procedure in question (PRAG), as well as in accordance with the required visibility and communication standards referred to in Article 2(2).

The IPA II beneficiary shall conduct the procurement and grant award procedures, conclude the resulting contracts, and ensure that all relevant documents for audit trail are in the language of this Financing Agreement. For the purpose of Part One of this Financing Agreement every reference to grant contracts shall also include contribution agreement and every reference to grant beneficiaries shall also include organisations having signed contribution agreements.

- (4) The IPA II beneficiary shall respect the minimum rate of its contribution specified in Annex I. In case of contributions from both the IPA II beneficiary and the Union, the IPA II beneficiary contribution shall be made available at the same time as the corresponding contribution from the Union.

- (5) The IPA II beneficiary shall keep all relevant financial and contractual supporting documents from the date of the entry into force of this Financing Agreement or as from an earlier date in case if the procurement procedure, call for proposals or direct grant award procedure was launched prior to the entry into force of this Financing Agreement:

- (a) For procurement procedures in particular:

- a) Forecast notice with proof of publication of the procurement notice and any corrigenda;
- b) Appointment of shortlist panel;
- c) Shortlist report (incl. annexes) and applications;
- d) Proof of publication of the shortlist notice;
- e) Letters to non-shortlisted candidates;
- f) Invitation to tender or equivalent;
- g) Tender dossier including annexes, clarifications, minutes of the meetings, proof of publication;
- h) Appointment of the evaluation committee;

- i) Tender opening report, including annexes;
 - j) Evaluation / negotiation report, including annexes and bids received;¹
 - k) Notification letter;
 - l) Cover letter for submission of contract;
 - m) Letters to unsuccessful candidates;
 - n) Award / cancellation notice, including proof of publication;
 - o) Signed contracts, amendments, riders, implementation reports, and relevant correspondence.
- (b) For calls for proposals and direct award of grants in particular:
- a) Appointment of the evaluation committee;
 - b) Opening and administrative report including annexes and applications received;²
 - c) Letters to successful and unsuccessful applicants following concept note evaluation;
 - d) Concept note evaluation report;
 - e) Evaluation report of the full application or negotiation report with relevant annexes;
 - f) Eligibility check and supporting documents;
 - g) Letters to successful and unsuccessful applicants with approved reserve list following full application evaluation;
 - h) Cover letter for submission of grant contract;
 - i) Award/cancellation notice with proof of publication;
 - j) Signed contracts, amendments, riders and relevant correspondence.

In addition, financial and contractual documents referred to in paragraph 5(a) and (b) of this Article shall be complemented by all relevant supporting documents as required by the procedures referred to in section 3 of this Article, as well as all relevant documentation relating to payments, recoveries and operating costs, for example project and on the spots checks reports, acceptance of supplies and works, guarantees, warranties, reports of supervising engineers.

All relevant financial and contractual documents shall be kept for the same duration in accordance with Article 49 of the Framework Agreement.

Article 1a - Duty to inform, administrative sanctions, and failure to act

- (1) When applying the procedures and standard documents laid down and published by the Commission for the award of procurement and grant contracts, the IPA II beneficiary shall accordingly ensure that no EU financed procurement or grant contract is awarded to an economic operator or grant applicant if the economic operator or grant applicant who either itself, or a person having powers of representation, decision making or control over it is in one of the exclusion situations provided for in the relevant procedures and standard documents of the Commission.
- (2) The IPA II beneficiary shall inform the Commission immediately when a candidate, tenderer or applicant is in a situation of exclusion from participating in procurement and grant award procedures, has committed irregularities and fraud, or has been found in serious breach of its contractual

¹ Elimination of unsuccessful bids five years after the closure of the procurement procedure.
² Elimination of unsuccessful applications three years after the closure of the grant procedure.

obligations.

- (3) The IPA II beneficiary shall take into account the information contained in the Commission's 'Early Detection and Exclusion System' (EDES) when awarding procurement and grant contracts. Access to the information can be provided through the liaison point(s) or via consultation using the following means: (European Commission, Directorate-General for Budget, Accounting Officer of the Commission, BRE2-13/505, B-1049 Brussels, Belgium and by email to BUDG-C01-EXCL-DB@ec.europa.eu in copy to the Commission address identified in Article 3 of the Special Conditions).
- (4) Where the IPA II beneficiary becomes aware of an exclusion situation in the implementation of the tasks described in Annex I, the IPA II beneficiary shall impose upon an economic operator or a grant applicant an exclusion from its future procurement or grant award procedures. The IPA II beneficiary may also impose a financial penalty proportional to the value of the contract concerned. Exclusions and/or financial penalties shall be imposed following an adversarial procedure ensuring the right of defence of the person concerned. The IPA II beneficiary shall notify the Commission in accordance with paragraph 1 of this Article.
- (5) In respect of paragraph 4 of this Article, the IPA II beneficiary is considered in failure to act, if it does not impose exclusion and/or a financial penalty upon the economic operator or grant applicant.
- (6) In the case of a failure to act, the IPA II beneficiary shall notify the Commission explaining the reasons for its failure to act. The Commission reserves the right to exclude an economic operator or a grant applicant from future EU financed award procedures, and/or impose a financial penalty on an economic operator or a grant applicant between 2 % and 10 % of the total value of the contract concerned.

Article 2 - Visibility and communication

- (1) In accordance with Article 24(3) of the Framework Agreement, the IPA II beneficiary shall take the necessary measures to ensure the visibility of EU funding for the activities entrusted to it, and prepare a coherent plan of visibility and communication activities which should be submitted to the Commission for an agreement within 2 months after the entry into force of this Financing Agreement.
- (2) These communication and visibility activities shall comply with the Communications and Visibility Manual for EU External Actions laid down and published by the Commission in force at the time of the activities.

Article 3 - *Ex-ante* controls on grant and procurement procedures and on *ex post* controls on contracts and grants to be performed by the Commission

- (1) The Commission may exercise *ex ante* controls on the tendering of contracts, launch of calls for proposals and the award of contracts and grants for the following stages of procurement or grant award:
 - (a) approval of contract notices for procurement, work programmes for calls for proposals, and any corrigenda thereof;
 - (b) approval of tender dossiers and guidelines for applicants on grants;
 - (c) approval of the composition of Evaluation Committees;
 - (d) approval of evaluation reports and award decisions³;
 - (e) approval of contract dossiers and contract addenda.
- (2) With regard to *ex ante* controls the Commission shall decide:
 - (a) to perform *ex ante* controls on all files, or
 - (b) to perform *ex ante* controls on a selection of such files, or

³ For service contracts this steps includes *ex ante* controls concerning approval of the shortlist.

- (c) to completely dispense with *ex ante* controls.
- (3) If the Commission decides to perform *ex ante* controls in accordance with paragraph 2(a) or (b) of this Article, it shall inform the IPA II beneficiary of the files selected for *ex ante* controls. The IPA II beneficiary shall provide all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex ante* control, at the latest at the time of submission of the contract notice or the work programme for publication.
- (4) The Commission may decide to perform *ex post* controls, including audits and on-the-spot controls, at any time on any contracts or grants awarded by the IPA II beneficiary arising out this Financing Agreement. The IPA II beneficiary shall make available all the documentation and information necessary to the Commission upon being informed that a file has been selected for *ex post* control. The Commission may authorize a person or an entity to perform *ex post* controls on its behalf.

Article 4 - Bank accounts, accounting systems, and cost recognised

- (1) After the entry into force of this Financing Agreement, the National Fund and the operating structure of the IPA II beneficiary that is the Contracting Authority for the Programme shall open at least one bank account denominated in euro. The total bank balance for the Programme shall be the sum of the balances on all the Programme bank accounts held by the National Fund and all participating operating structures in the IPA II beneficiary.
- (2) The IPA II beneficiary shall prepare and submit to the Commission disbursement forecast plans for the duration of the implementation period of the Programme. These forecasts shall be updated for the annual financial report referred to in Article 14(2) and for each request for funds. The forecasts shall be based on a documented detailed analysis (including the planned contracting and payment schedule per contract for the following fourteen months) which shall be available to the Commission on request.
- (3) The initial disbursement forecast plan shall contain summary annual disbursement forecasts for the whole implementation period and monthly disbursement forecasts for the first fourteen months of the Programme. Subsequent plans shall contain summary annual disbursement forecasts for the balance of the implementation period of the Programme and monthly disbursement forecasts for the following fourteen months.
- (4) The IPA II beneficiary is required to establish and maintain an accounting system in accordance with Clause 2(3)(b) of Annex A to the Framework Agreement which will hold at least the information for the contracts managed under the Programme indicated in Annex V.
- (5) Cost recognised in the accounting system maintained under the section 4 of this Article must have been incurred, paid and accepted and correspond to actual costs proven by supporting documents and shall be used when appropriate to clear pre-financing paid by the IPA II beneficiary under local contracts.
- (6) The IPA II beneficiary shall provide to the Commission reports as follows:
- (a) Cut-off report - as set out in Article 14(4);
 - (b) Annual reports as set out in paragraphs (2) to (4) of Article 14;
 - (c) Request for funds reports as referred to in Article 5.

Article 5 - Provisions on payments made by the Commission to the IPA II beneficiary

- (1) The IPA II beneficiary shall submit its initial disbursement forecast for the Programme, prepared pursuant to Article 4(2), with the first pre-financing payment request. The first pre-financing payment

shall be for 100 % of the forecast disbursements for the first year of the disbursement forecast plan.

- (2) The IPA II beneficiary shall submit subsequent pre-financing payment requests when the total bank balance for the Programme falls below the disbursements forecast for the following five months of the Programme.
- (3) Each request for additional pre-financing shall be supported by following documents:
 - a) A summary of all disbursements made for the Programme;
 - b) The bank balances for the Programme at the cut-off date of the request;
 - c) A forecast of disbursement for the Programme for the following fourteen months at the cut-off date of the request in accordance with Annex IV point (d).
- (4) The IPA II beneficiary may request for each subsequent pre-financing the amount of total disbursements forecast for the fourteen months following the cut-off date of the request, less the balances referred to in section 3(b) of this Article at the cut-off date of the request for funds increased by any amount funded by the IPA II beneficiary under paragraph 5 of this Article and not yet reimbursed.

The Commission reserves the right to reduce each subsequent pre-financing payment if the total bank balances held by the IPA II beneficiary under this Programme and on all other IPA I or IPA II programmes managed by the IPA II beneficiary exceeds the disbursement forecast for the next fourteen months.

- (5) Where the payment is reduced under paragraph 4 of this Article, the IPA II beneficiary must fund the Programme from its own resources up to the amount of the reduction. The IPA II beneficiary may then request the reimbursement of that funding as part of the next request for funds as specified in paragraph 4 of this Article.
- (6) The Commission shall have the right to recover excessive bank balances which have remained unused for more than twelve months. Before exercising this right, the Commission shall invite the IPA II beneficiary to give reasons for the delay in disbursing the funds and demonstrate a continuing need for them within the next following two months.
- (7) Interest generated by the bank accounts used for this Programme shall not be due to the Commission.
- (8) Following Article 33(4) of the Framework Agreement, if interruption of time limit for payment request exceeds two months, the IPA II beneficiary may request a decision by the Commission on whether the interruption of time limit is to be continued.
- (9) The final financial declaration referred to in Article 37(2) of the Framework Agreement shall be submitted by the NAO no later than 16 months after the end of operational implementation period.

Article 6 - Interruption of payments

- (1) Without prejudice to the suspension or termination of this Financing Agreement according to Articles 18 and 19 respectively, as well as without prejudice to Article 39 of the Framework Agreement, the Commission may interrupt payments partially or fully, if:
 - (a) the Commission has established, or has serious concerns that the IPA II beneficiary has committed substantial errors, irregularities or fraud questioning the legality or regularity of the underlying particular transactions in the implementation of the Programme, or has failed to comply with its obligations under this Financing Agreement, including obligations regarding the implementation of the Visibility and Communication plan;
 - (b) the Commission has established that or has serious concerns, whether the IPA II beneficiary has committed systemic or recurrent errors, irregularities, fraud or breach of obligations under this or other Financing Agreements, provided that those errors, irregularities, fraud or breach of obligations have a material impact on the implementation on this Financing Agreement or call into question the reliability of the IPA II beneficiary's internal control system or the legality and

regularity of the underlying expenditure.

Article 7 - Recovery of funds

- (1) In addition to cases referred to in Article 41 of the Framework Agreement, the Commission may recover the funds from the IPA II beneficiary as provided in the Financial Regulation, in particular in case of:
 - (a) the Commission established that objectives of the Programme set out in Annex I are not achieved;
 - (b) non eligible expenditure;
 - (c) non respect of the contribution rate, as provided in Annex I;
 - (d) expenditure incurred as a result of errors, irregularities, fraud or breach of obligations in the implementation of the Programme, in particular in the procurement and grant award procedure.
- (2) In accordance with national law, the IPA II beneficiary shall recover the Union contribution paid to the IPA II beneficiary from recipients who were in any situation defined in paragraph 1 points b) or d) of this Article or referred to in Article 41 of the Framework Agreement. The fact that the IPA II beneficiary does not succeed in recovering all or part of the funds shall not prevent the Commission from recovering the funds from the IPA II beneficiary.
- (3) Amounts unduly paid or recovered by the IPA II beneficiary, amounts from financial, performance and pre-financing guarantees lodged on the basis of procurement and grant award procedures, amounts from financial penalties imposed by the IPA II beneficiary on candidates, tenderers, applicants, contractors or grant beneficiaries, to the IPA II beneficiary shall be either re-used for the Programme or returned to the Commission.

Part Two: Provisions Applicable to Budget Support

Article 8 - Policy dialogue

The IPA II beneficiary and the Commission commit to engage in a regular constructive dialogue at the appropriate level on the implementation of this Financing Agreement.

Article 9 - Verification of conditions and disbursement

- (1) The Commission shall verify the conditions for the payment of the tranches of the budget support component, as identified in Annex I and Annex IA.
- (2) Where the Commission concludes that the conditions for payment are not fulfilled, it shall inform the IPA II beneficiary thereof without undue delay.
- (3) Disbursement requests submitted by the IPA II beneficiary shall be eligible for EU financing provided that they are in accordance with the provisions set out in Annex I and Annex IA and that they are submitted during the operational implementation phase.
- (4) The IPA II beneficiary shall apply its national foreign exchange regulations in a nondiscriminatory manner to all disbursements of the budget support component.

Article 10 - Transparency of budget support

The IPA II beneficiary hereby agrees to the publication by the Commission, of this Financing

Agreement and any amendment thereof, including by electronic means, and of such basic information on the budget support which the Commission deems appropriate. The content of such publication shall be in accordance with the EU laws applicable to the protection of personal data.

Article 11 - Recovery of budget support

All or part of the budget support disbursements may be recovered by the Commission, with due respect to the principle of proportionality, if the Commission establishes that payment has been vitiated by a serious irregularity attributable to the IPA II beneficiary, in particular if the IPA II beneficiary provided unreliable or incorrect information, or if corruption or fraud was involved.

Part Three: Provisions Applicable to this Financing Agreement Irrespective of the Management Mode

Article 12 - Execution period, operational implementation period and contracting deadline

- (1) The execution period is the period during which the Financing Agreement is implemented and includes the operational implementation period as well as a closure phase. The duration of the execution period is stipulated in Article 2(2) of the Special Conditions, and it shall start on the entry into force of this Financing Agreement.
- (2) The operational implementation period is the period in which all operational activities covered by procurement, grant contracts and contribution agreements are completed. The duration of this period is stipulated in Article 2(2) of the Special Conditions, and it shall start on the entry into force of this Financing Agreement.
- (3) The execution and operational implementation periods shall be respected by the Contracting Authority when concluding and implementing procurement, grant contracts and contribution agreements within this Financing Agreement.
- (4) Costs related to the activities shall be eligible for EU financing only if they have been incurred during the operational implementation period; the costs incurred by the IPA II beneficiary before the entry into force of the Financing Agreement shall not be eligible for EU financing.
- (5) The procurement, grant contracts and contribution agreements shall be concluded at the latest within three years of the entry into force of the Financing Agreement, except:
 - (a) amendments to procurement contracts, grant contracts and contribution agreements already concluded;
 - (b) individual procurement contracts to be concluded after early termination of an existing procurement contract;
 - (c) contracts relating to audit and evaluation, which can be signed after operational implementation;
 - (d) change of the entity charged with entrusted tasks.
- (6) A procurement, grant contract or contribution agreement which has not given rise to any payment within two years of its signature shall be automatically terminated and its funding shall be de-committed, except in case of litigation before judicial courts or arbitral bodies.

Article 13 - Permits and authorisation

Any type of permit and/or authorisation required for the implementation of the Programme shall be provided in due time by the competent authorities of the IPA II beneficiary, in accordance with national law.

Article 14 - Reporting requirements

- (1) For the purpose of the general reporting requirements to the Commission set out in Article 58 of the Framework Agreement and the specific reporting requirements under indirect management set out in Articles 59(1) of the Framework Agreement on the annual report on the implementation of IPA II assistance, the NIPACs shall use the template provided for in Annex III to this Financing Agreement.
- (2) For the purpose of the specific reporting requirements under indirect management set out in point (a) of Article 59(2) of the Framework Agreement on the annual financial report or statements, the NAO in the IPA II beneficiary shall use the templates provided for in points (a) and (b) of Annex IV to this Financing Agreement.
- (3) For the purpose of Article 59(4) of the Framework Agreement, the NIPAC shall submit a final report on the implementation of IPA II assistance of this Programme to the Commission no later than four months after the last disbursement to its contractors or grant beneficiaries.
- (4) For the purpose of Article 59(6) of the Framework Agreement the NAO shall provide by 15 January of the following financial year in electronic format a copy of the data held in the accounting system established under Article 4(4). This should be supported by a signed un-audited summary financial report in accordance with point (c) of Annex IV.

Article 15 - Intellectual property rights

- (1) Contracts financed under this Financing Agreement shall ensure that the IPA II beneficiary acquire all necessary intellectual property rights with regard to information technology, studies, drawings, plans, publicity and any other material made for planning, implementation, monitoring and evaluation purposes.
- (2) The IPA II beneficiary shall guarantee that the Commission, or anybody or person authorised by the Commission, shall have access and the right to use such a material. The Commission will only use such material for its own purposes.

Article 16 - Consultation between the IPA II beneficiary and the Commission

- (1) The IPA II beneficiary and the Commission shall consult each other before taking any dispute relating to the implementation or interpretation of this Financing Agreement further pursuant to Article 20.
- (2) Where the Commission becomes aware of problems in carrying out procedures relating to the implementation of this Financing Agreement, it shall establish all necessary contacts with the IPA II beneficiary to remedy the situation and take any steps that are necessary.
- (3) The consultation may lead to an amendment, suspension or termination of this Financing Agreement.
- (4) The Commission shall regularly inform the IPA II beneficiary of the implementation of activities described in Annex I which do not fall under Part One of these General Conditions.

Article 17 - Amendment of this Financing Agreement

- (1) Any amendment of this Financing Agreement shall be made in writing, including an exchange of letters.
- (2) If the IPA II beneficiary requests an amendment, the request shall be submitted to the Commission at least six months before the amendment is intended to enter into force.
- (3) The Commission can amend the Model Documents in Annex III, IV and V without this necessitating an amendment to this Financing Agreement. The IPA II beneficiaries shall be informed in writing about any such amendment and its entry into force.

Article 18 - Suspension of this Financing Agreement

- (1) The Financing Agreement may be suspended in the following cases:
 - (a) The Commission may suspend the implementation of this Financing Agreement if the IPA II beneficiary breaches an obligation under this Financing Agreement;
 - (b) The Commission may suspend the implementation of this Financing Agreement if the IPA II beneficiary breaches any obligation set under the procedures and standard documents referred to in Article 18(2) of the Framework Agreement;
 - (c) The Commission may suspend the implementation of this Financing Agreement if the IPA II beneficiary does not meet requirements for entrusting budget implementation tasks;
 - (d) The Commission may suspend the implementation of this Financing Agreement if the IPA II beneficiary decides to suspend or cease the EU Membership accession process;
 - (e) The Commission may suspend this Financing Agreement if the IPA II beneficiary breaches an obligation relating to respect for human rights, democratic principles and the rule of law and in serious cases of corruption or if the IPA II beneficiary is guilty of grave professional misconduct proven by any justified means. Grave professional misconduct is to be understood as any of the following:
 - a violation of applicable laws or regulations or ethical standards of the profession to which a person or entity belongs, or
 - any wrongful conduct of a person or entity which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence.
 - (f) This Financing Agreement may be suspended in cases of force majeure, as defined below. "Force majeure" shall mean any unforeseeable and exceptional situation or event beyond the parties' control which prevents either of them from fulfilling any of their obligations, not attributable to error or negligence on their part (or the part of their contractors, agents or employees) and proves insurmountable in spite of all due diligence. Defects in equipment or material or delays in making them available, labour disputes, strikes or financial difficulties cannot be invoked as force majeure. A party shall not be held in breach of its obligations if it is prevented from fulfilling them by a case of force majeure of which the other party is duly informed. A party faced with force majeure shall inform the other party without delay, stating the nature, probable duration and foreseeable effects of the problem, and take any measure to minimise possible damage. If force majeure impacts only part of the Programme, the suspension of the Financing Agreement can be partial;
 - (g) Neither of the Parties shall be held liable for breach of its obligations under this Financing Agreement if it is prevented from fulfilling them by force majeure, provided it takes measures to minimise any

possible damage.

- (2) The Commission may suspend this Financing Agreement without prior notice.
- (3) The Commission may take any appropriate precautionary measure before suspension takes place.
- (4) When the suspension is notified, the consequences for the on-going or to be signed procurement, grant contracts, and contribution agreements shall be indicated.
- (5) A suspension of this Financing Agreement is without prejudice to the interruption of payments and termination of this Financing Agreement by the Commission in accordance with Article 6 and Article 19.
- (6) The parties shall resume the implementation of the Financing Agreement once the conditions allow with the prior written approval of the Commission. This is without prejudice to any amendments of this Financing Agreement which may be necessary to adapt the Programme to the new implementing conditions, including, if possible, the extension of the operational implementation and execution periods, or the termination of this Financing Agreement in accordance with Article 19.

Article 19 - Termination of this Financing Agreement

- (1) If the issues which led to the suspension of this Financing Agreement have not been resolved within a maximum period of 180 days, either party may terminate the Financing Agreement at 30 days' notice.
- (2) When the termination is notified, the consequences for the on-going procurement and grant contracts, contribution agreements and such contracts or grants, and contribution agreements to be signed shall be indicated.
- (3) The termination of this Financing Agreement shall not preclude the possibility of the Commission to make financial corrections in accordance with Articles 36 to 44 of the Framework Agreement.

Article 20 - Dispute settlement arrangements

- (1) Any dispute concerning the Financing Agreement which cannot be settled within a six-month period by the consultations between the parties provided for in Article 16 may be settled by arbitration at one of the parties' request.
- (2) Each party shall designate an arbitrator within 30 days of the request for arbitration. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration (The Hague) to designate a second arbitrator. The two arbitrators shall in their turn designate a third arbitrator within 30 days. Failing that, either party may ask the Secretary-General of the Permanent Court of Arbitration to designate the third arbitrator.
- (3) Unless the arbitrators decide otherwise, the procedure laid down in the Permanent Court of Arbitration Optional Rules for Arbitration Involving International Organisations and States shall apply. The arbitrators' decisions shall be taken by a majority within a period of three months.
- (4) Each party shall be bound to take the measures necessary for the application of the arbitrators' decision.

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Period covered by the report:

01/01/20XX-31/12/20XX

Report issued on XX/XX/20XX

Annual Report on the implementation of IPA II assistance under direct and indirect management by [country] submitted by the National IPA Coordinator

I. Executive Summary

1. Reference to the objectives of the Country Strategy Papers and a brief overview of challenges in the sectors
2. Involvement in programming
3. Relations with the European Commission.
4. Problems encountered in meeting the required conditions for implementation and in ensuring sustainability, related measures taken/planned, recommendations for further action.
5. Relevant issues stemming from the IPA II beneficiary's participation in the IPA monitoring committee and in sectoral monitoring committees (including Joint Monitoring Committee for CBC), if any.
6. Involvement in Multi-country actions and any related issues.
7. Monitoring and evaluation activities, main lessons learned & follow-up to recommendations.
8. Communication and visibility activities.
9. Donor coordination.

In case of indirect management the executive summary should also cover:

10. Overall implementation of IPA assistance under indirect management (max. one page).
11. Main horizontal problems encountered in the implementation of IPA assistance and subsequent measures taken/planned (max. half page).
12. Recommendations for further actions (max. half page).
13. Audits – main findings and recommendations and corrective actions taken

II. Information per Sector

Sector title¹: [*Transport*]

Narrative part: summary per sector, including the following information:

1. Involvement in programming
2. Overview of results in moving towards a fully-fledged sector approach (i.e. targets reached as per sector roadmap in the Sector planning document).
3. Coordination with other instruments and/or donors/ IFI's within the sector
4. The impact of IPA II actions within the sector on the development of the relevant national administrative capacity in the sector, strategic planning and budgeting

Under indirect management the following information should also be included:

5. Operating structure(s) in place and related changes, if relevant: [*Ministry of Transport*]
6. Information on the implementation of programmes in the sector
7. Main achievements in the sector
8. Any significant problems encountered in implementing the tasks entrusted e.g. delays in contracting, and subsequent measures taken/planned.
9. Recommendations for further actions
10. Implemented monitoring and evaluation activities, audits – main findings & lessons learned, recommendations, follow-up and corrective action taken

Sector title: Cross-Border Cooperation²

1. Involvement in programming as appropriate.
2. Progress made in implementing the CBC programme and in particular in achieving the specific objectives per thematic priority (including qualitative and quantitative elements indicating progress in relation to targets)
3. A summary of problems encountered in implementing the CBC programme and any corrective actions taken, as well as recommendations for further corrective actions.

¹ As per the sectors in the indicative Strategy Papers.

² For Cross-border Cooperation specific reporting is required.

4. Monitoring, including data collection arrangements and where applicable evaluation activities.
5. Communication and visibility activities.
6. Coordination with the partner country.

Under indirect management the following information should also be included:

1. Operating structure in place and related changes, if relevant.
2. Any significant problems encountered in implementing the tasks entrusted e.g. delays in contracting, and subsequent measures taken/planned.
3. Recommendations for further actions
4. Implemented audits – main findings & recommendations and corrective action taken

II a. Performance indicators in the [e.g. *Transport*] sector covering both direct and indirect management:

Indicators³ per programme

Financing Agreement/Programme reference ⁴	Indicator for sector [<i>Transport</i>]	Source	Baseline	Milestone (2017)	Target (2020)	Value (2014 ⁵)
<i>2014 country programme</i>	<i>Reduction of average travel time of passengers between major urban centres by transport mode</i>					
<i>2014-20xx multiannual programme</i>	<i>Reduced transportation costs per unit of output</i>					

³ These should be mostly outcome, as well as selected relevant output indicators

⁴ It has to be consistent with the way of programming (annual, multi-annual with or without split commitments) and with the NAO report

⁵ Number of columns to be adjusted for all years from 2014 up to the year of the reporting period. Values should be cumulative.

II b. Overview at the action level for sector [e.g. Transport]

Financing Agreement/ Programme reference	Action	State of play/Progress for particular action (e.g. ToR in preparation, tender launched, contracted, under implementation, completed)	Main achievements and their assessment	Significant problems encountered in implementing the entrusted tasks and the measures taken/planned to overcome them	Developments that influence implementation for the future	Recommendations for corrective further actions
[2014 country programme]	Electrification of the railway line from xxx to border with xxx	e.g. Service contract for preparation of ToR for the works contract signed and under implementation, tender for works contract to be launched in the second quarter of 2015		e.g. The service contract for the preparation of ToR for the works contract was delayed as the negotiated procedure failed and had to be re-launched	e.g. change of local law, like alignment with and implementation of the fourth Railway package	

Under indirect management the following annexes should also be provided:

Annex 1

Overview of the functioning of the management and control systems (including changes in the institutional structure) (max. one page).

Transparency, visibility, information and communication activities in line with FWA (max. one page)

Annex 2

Success stories (N.B. this section may be used for the annual financial assistance report prepared by the European Commission)

Annex 3

Annual procurement plan

For both direct and indirect management, the following annex should be provided:

Annex 4

Sector approach roadmap – achievements (highlighting whether planned targets have been fulfilled or not)

IPA II beneficiary financial report (*)

Programme Reference	Funding code/ID number	LOCAL CONTRACT ACTIVITIES										RECOVERY CONTRACT				TOTAL IN RECOVERY CONTRACTS		FUTURE OBLIGATIONS (EU)			
		Programme Budget		Total Amount Committed		Total Amount Disbursed		Disbursed %		Total Cash Recognized		Cash %		Total Open Pre-financing		Open Pre-financing %		Total in recovery contracts	Total in budget	Next 12 months	% progressive budget
		34	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17				
1																					
MP2010	201012-449																				
ESF-ANRS-2010																					

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IPA II beneficiary financial report (*)

Programme Reference	Financing Agreement contract number	Programme EU Contribution Budget	Local Contract Activities							Total Open Pre-financing	Open Pre-financing %	
			Total Amount Contracted	Contracted %	Total Amount Decommited on closure	Decommited %	Total Amount Disbursed	Disbursed %	Total Costs Recognised			Costs %
1	2	3	4	5	6	7	8	9	10	11	12	13
				4/3*100%		6/4*100%		8/4*100%		10/4*100%		12/4*100%
NP2010	2010/123-456											
Sub-programme Action												

(*) 15 February

JGA

200

200

IPA II beneficiary financial report (*)

Programme Reference	Financing Agreement contract number	Programme EU Contribution Budget	Local Contract Activities				Total Open Pre-financing	Bank Balances Total
			Total Amount Contracted	Total Amount Decommited on closure	Total Amount Disbursed	Total Costs Recognised		
1	2	3	4	5	6	7	8	9
NP2010	2010/123-456							

(*) 15 January

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Annex IV (d) - payments forecast

Programme Reference	Planned Disbursement Forecasts (Add years as necessary)														
	Monthly Disbursement Forecast (12 months for first pre-financing/ 14 months for subsequent prefinancing)														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Total Year 1
NP2010															0
CBC AA/BB 2010															0

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Annex V to the Financing Agreement
Accrual Based Accounting System Minimum Specification

The accounting system of the IPA II beneficiary shall meet following requirements:

1. Reflect the organisational structure put in place for the internal control systems suited to the performance of duties. In particular before an operation is authorised, all aspects (both operational and financial) of the operation have to be verified by members of staff other than the one who initiated the operation. The person dealing with the verification cannot be subordinated to the initiator of the transaction.
2. Include an audit trail for all transactions and amendments.
3. Possess adequate physical and electronic security including back-up and recovery systems.
4. The accounting system should hold at least the following information for the local contracts managed under each programme:
 - (a) Contract reference;
 - (b) Contract value including any amendments;
 - (c) Contract signature dates (both parties);
 - (d) Contract implementation start date;

This is in addition to the contract signature date and may differ from it, as when the contract works start date is given after the signature of the contract through an Administrative Order.

- (e) Contract implementation end date including any amendments;

This is the final date on which eligible costs can be incurred. It does not include any guarantee period or time allowed for report preparation by the contractor.

- (f) Total paid (cash) by contract;
 - (g) Pre-financing paid by contract;

Explicit recognition and recording on the balance sheet of contractually required pre-financing.

- (h) Cost recognised – direct (by contract);

Explicit recognition of cost as a charge to expenses for the year. Some payments will directly cover costs already incurred. No pre-financing is involved. They may be final

payments where any pre-financing has already been cleared or interim payments where pre-financing has been cleared or where the contract does not include the provision of pre-financing.

(i) Cost recognised – indirect (by contract);

Explicit recognition of cost as a charge to expenses for the year. Some invoices or cost claims submitted by a grant beneficiary or contractor will relate to costs that are covered by pre-financing paid earlier in the implementation period of the grant agreement or contract. In these cases the payment made will be less than the reported cost. It may even be zero if all the cost is covered by pre-financing. (it will certainly be zero if the reported costs are insufficient to absorb the pre-financing and a recovery order is issued for the unused balance of the pre-financing.) In all such cases the system should record the full value of the reported eligible cost as expenses for the year and reduce the balance of pre-financing by the amount of cost offset against the pre-financing when determining the amount payable.

(j) Recovery orders to reduce pre-financing (by contract);

Recognition of the reduction of pre-financing on the balance sheet following a recovery of unused pre-financing.

(k) Recovery orders to reduce cost (by contract);

When a recovery is made against cost that had earlier been accepted – possibly following an investigation for fraud. In such cases the recorded costs for the year must be reduced if the cost was accepted in the same year as the subsequent recovery; or income must be recorded where the cost was accepted in an earlier year than that of the recovery.

(l) Supplier's invoice date for each invoice or other document accompanied by a financial report giving rise to recognised costs;

(m) Recovery context information on ineligible cost and recoveries.

Annex VI

Ad hoc measures for entrusting budget implementation tasks under this Programme

The conditions stipulated in Annex VI of the Financing Agreement for the Country Action Programme for Montenegro for the year 2016 – IPA/2016/37896 are applicable in their entirety to this Financing Agreement.

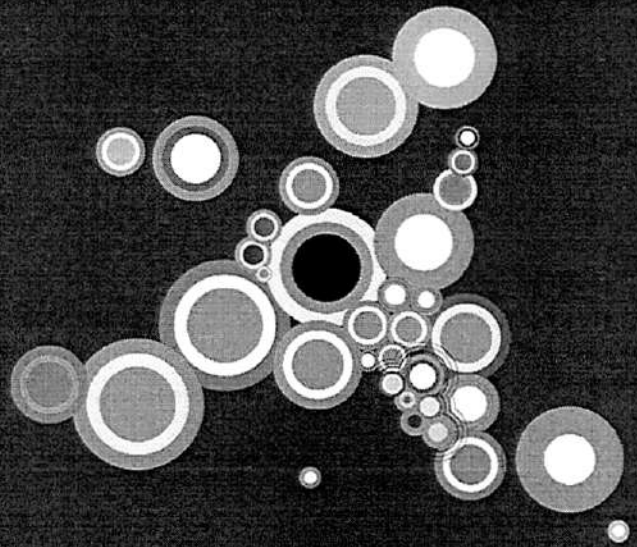
This Financing Agreement shall also be subject to the obligation by the Government of Montenegro to implement any further condition(s) and/or recommendation(s) set out in any Commission's correspondence and/or audit report(s) related to the entrustment of budget implementation tasks.



INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

MONTENEGRO

EU Support to Transport Development



Action summary

The Action benefits the railway, maritime/inland water land and road transport modes with a view to modernise its infrastructure, capacity building and acquis alignment. The Action focuses on three main results: (i) contribution to developing the rail transport core network in Montenegro, (ii) upgrade standards and capacity in the area of maritime and inland waterways transport ensuring a better environmental protection and (iii) improvement of capacities within transport institutions, of the regulatory framework, and alignment of national legislation with the EU acquis.

Action Identification	
Action Programme Title	Annual Action Programme for Montenegro for the year 2017
Action Title	EU Support to the Transport Development
Action ID	IPA/2017/039-816/03/ME/Transport
Sector Information	
IPA II Sector	4. Transport
DAC Sector	21010
Budget	
Total cost	11,343,824 EUR
EU contribution	9,642,250 EUR
Budget line(s)	22.020102
Management and Implementation	
Management mode	Indirect management
<i>Indirect management:</i> National authority or other entrusted entity	Directorate of Public Works (DPW)
Implementation responsibilities	Ministry of Transport and Maritime Affairs
Location	
Zone benefiting from the action	Montenegro
Specific implementation area(s)	
Timeline	
Final date for concluding Financing Agreement(s) with IPA II beneficiary	At the latest by 31 December 2018
Final date for concluding delegation agreements under indirect management	NA
Final date for concluding procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation
Final date for operational implementation	6 years following the conclusion of the Financing Agreement
Final date for implementing the Financing Agreement (date by which this programme should be de-	12 years following the conclusion of the Financing Agreement

committed and closed)			
Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective
Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RIO Convention markers	Not targeted	Significant objective	Main objective
Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

Montenegro suffers from the constraints of a difficult topography, which require increased investments and maintenance expenditure, particularly for railway and road infrastructure. The poor quality of the transport infrastructure hampers economic growth due to the low quality and high cost of transportation, as well as low safety standards. Improvement of transport connections will facilitate the integration of Montenegro in the regional trade flows, further political cooperation and links between people.

Effective transportation systems are essential to Montenegro's economic growth and prosperity through facilitation and improvement of the mobility of citizens and goods, while they also have significant impacts on road safety, social development and the environment. While adequate transport infrastructure is stimulating economic growth it however tends to bring about persistent and detrimental impacts, whether it is at local, regional or global level, particularly with regard to environment and health.

The economic and quality-of-life benefits of access to safe and affordable transportation apply to both men and women¹. Nevertheless, due to their different economic and social roles and activities, men and women have different transport needs, priorities and patterns of usage. The results and attendant activities outlined in this action document can be regarded as being of a low level of relevance to the goal of gender equality; that is to say, the projected potential differential impact on women and men is likely to be small. Nevertheless, care will be taken to take account of the needs and views of relevant stakeholders as activities are designed and implemented.

According to the screening reports of the Chapters 14 and 21, Montenegro has reached a satisfactory level of alignment with the *acquis* in the field of transport policy. In this context Montenegro needs to make further adjustments of the legal and institutional framework and in particular strengthen its administrative and implementation capacities. Montenegro needs also to ensure further harmonisation and sound implementation of social, safety and technical rules in road transport, safety and security requirements in the maritime sector, safety and interoperability rules in rail transport, as well as the standards for the transport of dangerous goods by road. In the area of railway transport, Montenegro will have to ensure the independence of the regulatory body and the capacity of the railway safety authority. Montenegro will also have to implement the *acquis* regarding inland waterways to the extent applicable, taking into account the geographic specificity of the country. A legal framework for Intelligent Transport System (ITS) and clean vehicles will have to be established. Montenegro has not yet aligned its legislation with the Trans-European transport networks *acquis*, but has reached a satisfactory level of preparedness regarding the strategic development of the transport networks in accordance with the design and objectives of the TEN-T. This policy has undergone major revision at EU level, including the *acquis* related to the implementation of the TEN-T Programme, which can only be implemented in practice after accession. In the course of the negotiations on this Chapter, Montenegro must ensure compliance with the relevant provisions of the new legal framework. In that sense, the administrative capacity will need to be reinforced for the effective implementation of this EU policy.

In addition, improvements to cross-border transport links are needed to improve the economic integration of Montenegro with its neighbours and with the EU Member States. It is also important to consider the regional dimension and, where needed, to improve the quality of cross-border sections and to ensure that links are in place between the various national priority corridors.

Any measure proposed by the Action which envisages institutional changes in terms of reorganisation, establishment of new institutions, staffing and development of policy development and coordination mechanisms will align with the overall reform of public administration as outlined in the Public

¹ European Commission Directorate-General for Mobility and Transport (DG MOVE), (2014), She moves Women's Issues in Transportation

Administration Reform (PAR) Strategy 2016-20 shortly to be adopted. In terms of employment opportunities, due consideration will be given to ensure a proactive approach to gender balance in recruitment and promotion, and to promote equal opportunities for all. In order to ensure that the design of new transport policy and of transport developments meet the needs of all users, it will be important to devise mechanisms to allow for input from all groups; this should include the appointment of women as appropriate.

Railway sub-sector

Montenegro has the opportunity to promote the connection Bar–Belgrade via combined maritime-railway transport mode in order to give access to the Balkans and South Central Europe hinterland and gain competitive advantage compared to the already established alternatives TEN corridor through Croatia, Bosnia or Albania.

The Montenegrin railway network includes 248.76 km of single track. Almost 2/3 of the railway length includes 106 tunnels, 107 bridges and nine galleries. Length of all lines is 325.94km (open line and stations tracks), split in three routes:

Bar–Vrbnica (border with Serbia), length 168.16 km, open for passenger and cargo transport:

Bar–Vrbnica railway line, which is part of the international railway line Belgrade–Bar (South-East European Transport Observatory (SEETO) Route 4) connects the port of Bar with trans-European corridors VII and X, and is one of the most important transportation routes for the economy of Montenegro.

The electrified line Bar–Vrbnica has a length of 168.16 km and was opened to traffic in 1976. Maximum allowable axle weight is 22.5 t (UIC track class D). It is currently the only operational rail line linking Montenegro to the European rail network, via Belgrade. The realisation of the Bar–Vrbnica line in the 70s was the largest railway construction undertaken in Europe at the time. It was previously known as the central-Yugoslavian mountain line: 37% of it is in or on technical infrastructure such as bridges (107), tunnels (106), galleries (11) and culverts (371).

Podgorica–Tuzi-border with Albania, length 24.70 km, only used for cargo transport and not electrified:

The railway line Podgorica – Tuzi -State border with Albania (24.70 km), it is not electrified and was opened for traffic in 1986. This line has 5 bridges and 3 tunnels and 24 culverts. During the period 1992 - 2002, the railway line was closed for traffic, and after that only freight transport was established. After the construction of the railway, maximum speed on this line was 80 km/h, which is now reduced to 60km/h due to conditions of the tracks.

Podgorica–Nikšić, length 55.90 km used only for cargo transport until September 2012, when the electrification and overhaul of the line was completed and passenger transport was established.

Further cost benefit analysis and budget estimations on different sections of both corridors will need to be carried out in order to define future renovation and rehabilitation proposals in line with fiscal space for Montenegro.

Responsibility for the preparation, adoption and implementation of regulations in the field of railway transport lies within the Ministry of Transport and Maritime Affairs of Montenegro (MTMA) - Directorate of railway transport. Railway Directorate, which was established in January 2010, operates as an independent body of the state administration, as the regulatory and safety authority in the field of railways. There are four separated companies that operate within the Montenegrin railway system: Railway Infrastructure of Montenegro JSC (infrastructure manager), Railway transport of Montenegro JSC (passenger railway undertaking), Montecargo JSC (freight railway undertaking), and Maintenance of railway rolling stock JSC, whose work is regulated and supervised by the regulatory authority or the Directorate of Railways.

Law on safety, organization and efficiency of rail transport, adopted in January 2014 defines the area of safety and interoperability of rail transport. This law treats interoperability and safety of the railways in accordance with Directive 2008/57 on the interoperability of the rail system and Directive on safety of railways 2004/49. The law is partially compliant with the aforementioned directives and further alignment will be achieved by further adoption of bylaws, a number of which is already adopted.

The Railway Law prescribes in more details the obligations and conditions to be met by railway companies to perform activities they are established for, and the relationship between the Government of Montenegro,

the MTMA, Directorate for railways and railway companies. The Law is fully compliant with Directive 95/18 on licensing of railway companies and partially with Directive 91/440 on the development of the railways, Directive 2001/12 on amending Directive 91/440 on the development of the railways, Directive 2001/14 on the allocation of railway infrastructure capacity, the introduction of fees for the use of railway infrastructure and security certificates, Directive 2001/13 on amending Directive 95/18 on the licensing of railway undertakings and Regulation 1370/2007 on public services obligations in railway and road transport.

Maritime sub-sector

Safety at sea, pollution prevention and consequently, the preservation of biological diversity of the Adriatic Sea are conditions which have an impact on sustainable development of Montenegro. The primary responsibility for execution of these tasks lies mainly with MTMA and Maritime Safety Department (MSD).

In order to implement EU requirements in the field of maritime safety and marine environment protection some crucial investments have to be done. According to the Progress report of Montenegro for 2014, the availability of properly qualified, trained and authorised officers, in particular harbourmasters, remains a major challenge for Montenegro: consequently, there is a need for further improvement and further strengthening of professional capacities and employees in the maritime sector such as education, trainings and certification system of seafarers.

Montenegro has implemented some sub-systems of Vessel Traffic Monitoring and Information System (VTMIS) and technical requirements that Montenegro had to do as a coastal state (Very High Frequency (VHF), Global Maritime Distress and Safety System (GMDSS), Automatic Identification System (AIS), Long Range Identification and Tracking (LRIT), Adriatic Mandatory Reporting System (ADRIREP) etc. Investments were made using IPA 2011 funds and national budget funds.

However, the completion of the VTMIS and its implementation need to be extended and continued in the forthcoming period. With a view to facilitate maritime transport and to reduce the administrative burdens for shipping, the reporting formalities need to be simplified and harmonised with the EU to the expected level. This could be done using ICT technologies by implementing so called Maritime National Single Window (MNSW) that is obligatory for member states according to EU Directive 2010/65/EU on reporting formalities for ships arriving in and/or departing from ports of the Member States. Using IPA II funds Montenegro will fulfil requirements from EU directive 2010/65 and implement MNSW.

In addition, it is necessary to further develop the Inland waterways transport (IWT) system in Montenegro, in line with the general principles and directives in use in the EU IWT system. A recent study (carried out in June - July 2015) concludes that a number of EC Directives in the field of IWT need to be implemented in Montenegro. It concerns Directive 2006/87/EC, laying down technical requirements for inland waterway vessels, Directive 96/50/EC, on the harmonization of the conditions for obtaining national boatmasters' certificates for the carriage of goods and passengers by inland waterway in the Community, and Directive 2004/26/EC, on measures against the emission of gaseous and particulate pollutants from internal combustion engines to be installed in non-road mobile machinery.

The study further proposes that all inland waterways are classified as such, and that special units and departments are set up to support the further development of the IWT sector. This requires capacity building in several areas, so that the necessary IWT knowledge is built up, allowing the units and departments to perform their tasks in IWT policy making, management, monitoring and inspection. Sector support is also needed to help the private sector to meet the increasing requirements and to be able to invest in IWT operations.

Regarding investments, main needs are concentrated in the Ports of Bar and Kotor. In addition to the low level of investments in the sector, the main problems and weaknesses of the Montenegro maritime transport sector remain the insufficient use of the capacities offered by the Ports of Bar and Kotor, inefficiency of transshipment operations resulting in time increase and loss of competitive advantage, out-of-date equipment not sufficiently maintained, limited information technology and lack of qualified staff in areas such as operations, logistics or shipping resulting in lower productivity and efficiency levels.

Enforcement and implementation of legislation

As regards to the road safety inspection, the EC requested Montenegro to adopt Guidelines for Road Safety Inspection (RSI). After publishing this document, all road inspectors had to attend trainings in this area. One

issue that needs to be overcome in the future period refers to the Law on Amendments to the Law on Roads (from 2011) where the implementation of the directive is postponed until the accession of Montenegro to the EU. Law on Amendments to the Law on Roads is planned for the IV quarter of 2017. However, as this obligation is one of the "soft measures" identified in the Berlin Process, Montenegro endeavoured to meet the requirements for progress on this issue before the Paris Summit in July 2016. Guidelines for Road Safety Inspection (RSI) were published on the website of the MTMA. Inspectors attended the training for safety on roads which was organized by World Bank and SEETO in the period 20- 25 June 2016 in Belgrade. According to the administrative capacities for the road transport in the next period and until 2018, it is necessary to employ two persons for the inspection of road transport.

For the railway transport mode, it is expected to employ one person in 2017 and one person in 2018 within the Railway Directorate (NSA and Regulatory body) responsible for supervising law enforcement of legislation in the railway sector. Since the implementation of EU legislation, during the past three years, one inspector for railway transport and two advisers were employed within the MTMA, Directorate for railways.

As regards maritime transport subsector, it is planned to employ one person in the MTMA and three persons in the MSD until 2017, those staff being in charge of the Law on Safety of Maritime Transport. In the Port Authority, it is expected to employ one person who will be in charge of the Law on Merchant Vessel and Port Security.

In this regard, the action will take into consideration specific horizontal public administration reforms as planned under the PAR Strategy 2016-20, shortly to be adopted. In particular, the draft PAR strategy envisages measures to improve the whole-of-Government policy development system by developing a set of horizontal methodologies and instruments which include costing of policy options and assessing socio-economic impacts of policy and legislative proposals. The General Secretariat of the Government is the leading institution.

Stakeholder analysis

The MTMA is the lead Institution in the sector which has the overall responsibility for the development, management and coordination of the different transport modes. Administrative bodies have been established under the umbrella of the Ministry to act as public authority, regulator or safety and security authority for the different modes of transport, such as the Railway Directorate, the Directorate for Transport, the Port Authority, the Maritime Safety Department and the Directorate for Public Works. The Directorate for Transport is established within the Ministry to act as public authority, in charge for management, development, building, reconstruction, maintenance and protection of state roads. The Ministry of Interior and the Police Directorate have responsibility for the safety and security of road transport, dangerous goods, roadworthiness tests, registration of vehicles and driver licensing.

The MTMA also coordinates the work of the Sector Working Group for IPA II (2014-2020) in charge of coordinating activities among partners and stakeholders and defining its time frame for implementation. A Thematic Working Group, includes representatives from MTMA and Ministry of Interior (MoI), institutions which are under MTMA competence (Maritime Safety Department (MSD), Directorate for Transport, Railway Directorate, Port Authority) and other relevant companies (Railway Infrastructure of MNE, Airports of Montenegro).

In the MTMA, the Department for European Integration and International Cooperation operated as project implementation unit (PIU) for the IPA Component I. This Department performs tasks referring to:

- Coordination and improvement of the activities and cooperation in pursuing the EU accession policy;
- Follow-up of the *acquis* and proposing appropriate measures,
- Monitoring and analysis of the implementation of proposed measures and realisation of infrastructural projects financed by international financial institutions and by the Budget of Montenegro;
- Cooperation with international financial organisations, programming tasks inside the Department;
- Coordination of the oversight over the execution of contracts in this area; preparation, control and assessment of projects financed from EU funds;
- Monitoring the contracting processes, reporting and monitoring;

- Cooperation with international institutions;
- Multilateral activities etc.

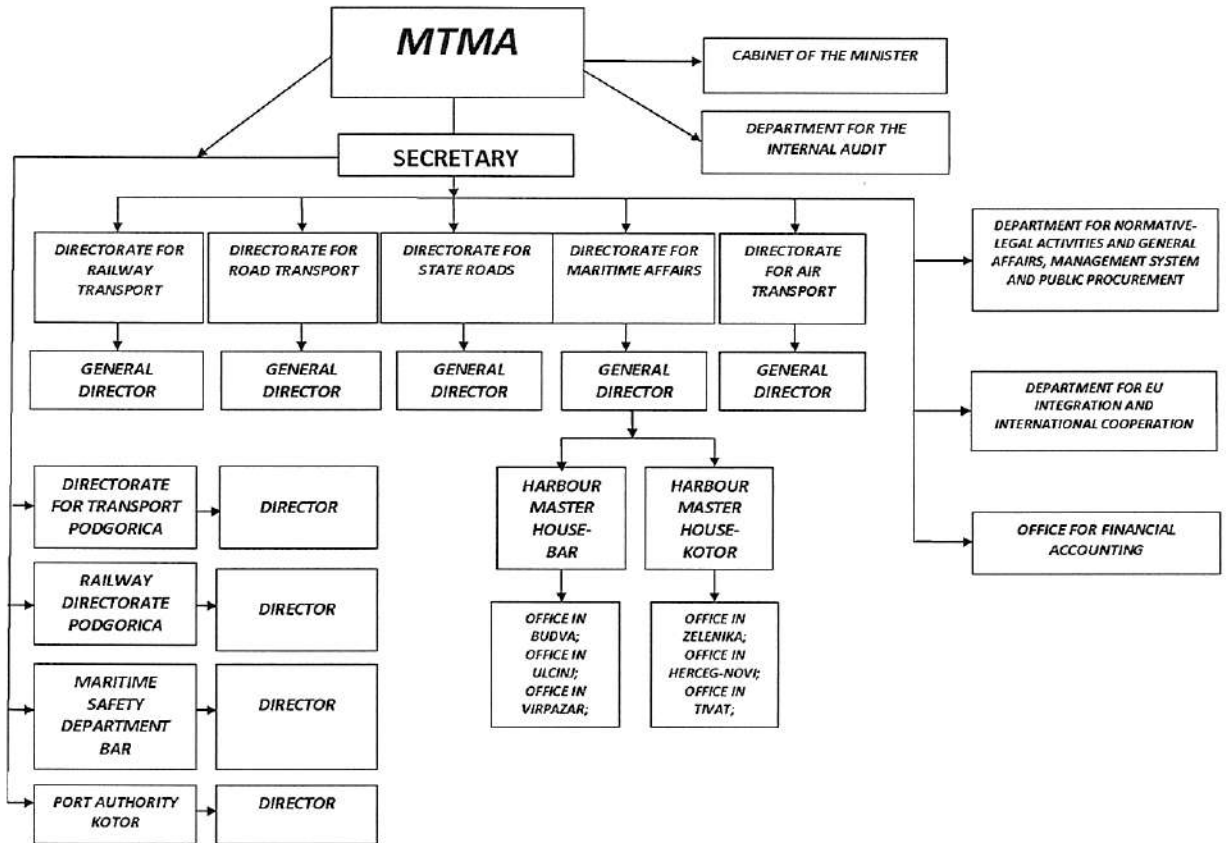


Figure 1: MTMA Organisational structure

The Department is also a Body responsible for Priorities and Measures for transport, which is a part of the Operating Structure for the IPA I 2012-2013 Component III, together with the Ministry of Sustainable Development and Tourism as Body responsible for Operation Programme / Body responsible for priorities and measures for the environment, and the Directorate for Public Works as implementing body.

In addition, a Project Implementation Unit (PIU) has been established in the Railway Infrastructure of Montenegro, closely cooperating with the MTMA PIU/BRPM and other related institutions. Railway Infrastructure of Montenegro–Željeznička Infrastruktura Crne Gore (ZICG) intends to create a Project Management Office (PMO) to assume responsibility for the effective planning, financing, preparation, co-ordination, monitoring and post-evaluation of projects proposed or accepted by IFIs.

A National Investment Committee (NIC) has been set up to coordinate the capital investment activities; the NIC secretariat is provided by the Secretariat for Development Projects. The NIC has reflected these priorities in the recently adopted Single Project Pipeline (SPP) that will serve as a basis for programming and blending of all available financial sources.

OUTLINE OF IPA II ASSISTANCE

This Action aims to combine support to the railway, maritime and inland waterways transport mode. In addition to supporting key infrastructure improvements and safety and security equipment, the Action aims also to strengthen capacities within the main relevant stakeholders in the transport sector (MTMA, Railway companies, MSD and DPW, NIC / Secretariat for Investment Projects, among others) as well to align national legislation with the *acquis communautaire* in order to complete the necessary steps for the EU

accession. Finally, past EU funding experience through IPA I has highlighted the necessity to concentrate on building a wider and better prepared consolidated project pipeline reaching sufficient level of maturity for investment projects. The new Single Project Pipeline has now defined the way to prioritize the infrastructures in line with the strategic planning and programming mechanisms, on both the Core and Comprehensive networks, with a particular focus on quick gains and removing bottlenecks at the borders with neighbours.

The Action will combine the following targets:

- To contribute to the developing of a core railway transport system in Montenegro by facilitating international movements of freight and passengers through modernisation of the corridors and regional core network in terms of quality, efficiency and safety.
- To improve the Montenegrin maritime transport mode by promoting national ports and inland waterways of Montenegro as a privileged and safety access for the regional hinterland in the Western Balkans and developing its facilities to face growing forecast demands in a sustainable way.
- To enhance the efficiency of the Programme design, monitoring, implementation and evaluation by building capacity within the related transport Institutions and to improve the regulatory framework and EU acquis related activities.

In that sense, the Action will aim to reach the following three Results:

Result 1: Improved transport conditions and travel times on the railway corridor Bar–Vrbnica

- Cross border railway station renovated and reconstructed to provide appropriate working conditions for both Montenegrin and Serbian border crossing authorities (customs, police, phyto-sanitary)

Result 2: Improved safety standards concerning maritime and inland transport

- Efficient system of monitoring the traffic of ships carrying dangerous and polluting goods, to establish a system of prevention of pollution from ships (VTMIS Phase II)
- Efficient equipment delivered for preventive/corrective measures in case of pollution, in accordance with IMO Conventions and EU regulations

Result 3: Improved capacity within national transport institutions and alignment with EU acquis completed.

- National Legislation and Strategies aligned with EU Acquis for Transport
- Increased capacity for project planning, preparation, management and supervision for the Institutions involved on the implementation of Transport policies

RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

According to Montenegro Indicative Strategy Paper (ISP), the main results to be achieved under Transport sector with the help of IPA II support are as follows:

- ISP II.1. Improved capacity of the administration for defining an appropriate sector strategy and drafting appropriate legislation, as well as capacity building for the preparation and implementation of complex infrastructure projects;
- ISP II.2. Existing and new national laws aligned with the EU acquis in all areas (liberalisation and internal market, technical harmonisation, accident investigation and safety);
- ISP II.3. SEETO routes and interconnections with neighbouring countries further advanced;
- ISP II.4. Railway transport safety on the line Bar–Vrbnica further improved;
- ISP II.5. Vessel Traffic Monitoring and Information System fully operational by 2020;
- ISP II.6. Enhancement of the opportunities for developing combined transport;
- ISP II.7. Reduced negative environmental impacts, pollution and GHG emissions in the transport sector.

Result 1 is fully contributing to ISP II.3, 4 and 7, while Result 2 to ISP II.3, 5 and 7 and Result 3 to ISP II.1, 2 and 6.

The reconstruction of the cross border railway station Bijelo Polje on the Vrbnica–Bar railway line will contribute in meeting the goals defined in the Transport Development Strategy adopted in 2008. This will contribute making use of the railway transport mode more attractive. It is expected for number of passengers and freight to slightly increase. It will improve access of the Montenegro to the Balkans and South Central Europe hinterland and increase the attractiveness, performance and reliability of railway transport in Montenegro through improvement of service quality and safety.

The government of Montenegro is currently in the process of updating the Transport Development Strategy that will provide a renewed framework for the action. The Technical Assistance provided will build on the outcome of this exercise.

Strategic goal of the Ministry of Transport and Maritime Affairs (MTMA) in the Transport Development Strategy is to preserve and to protect the environment against the negative impact of traffic and regarding the pollution of sea by vessels. VTMIS Phase II will definitely contribute to that. It is planned to provide stipulated and adequate equipment for actions in accidental pollution situations. The equipment provided will be allocated in Port of Bar while the end recipient will be MSD..

In addition, Regional Strategy for Prevention and Response to Marine Pollution from Ships 2016-2021⁴⁴ developed by the Regional Marine Pollution Emergency Response Centre for the Mediterranean Sea (REMPEC) requires Montenegro to:

- enhance the level of Government owned pre-positioned oil spill response equipment for open sea,
- ensure adequate emergency towing capacity,
- and to increase the level of knowledge of oil spill response personnel in the field of preparedness and response to accidental marine pollution by oil and other harmful substances.

In terms of legislation harmonization, according to the screening/ EC Progress reports of the Chapters 14 and 21, Montenegro has reached a satisfactory level of alignment with the *acquis* in the field of transport policy. Further adjustments of the legal and institutional framework and in particular strengthening of administrative and implementation capacities are needed, in particular in the field of Inland waterways transport mode.

Connectivity agenda

The Action is also in line with the South East Europe 2020 (SEE) and the main EU Policy, the White Paper on Transport. For the SEE, the expected results will contribute to tackle the priorities of Integrated growth, Sustainable growth and Governance growth. By developing the SEETO Route 4 and improving maritime and inland waterway transport sector modes, the Action contributes to the objectives of the White paper to achieve a genuine trans-European transport network (TEN-T) via new financing and new tariff rules for infrastructure, the reduction of greenhouse gas emissions through modal shift and new technologies or the integration of the transport sector into the global market to protect European interests.

Concrete proposals for the establishment of the core regional transport network on Montenegro's territory are:

- SEETO roadway 4: Bar-Boljare highway (border with Serbia);
- SEETO roadway 1: Adriatic-Ionian corridor (fast traffic route along the coastline), as a connection to Croatia and Albania;
- SEETO railway line 4: Bar-Vrbnica railway (border with Serbia);
- SEETO railway line 2: Podgorica-Tirana railway (link with Albania)
- Port of Bar;
- Podgorica airport

In parallel with the planning and implementation of the investments, it is equally important to create the conditions for opening of the transport market, notably the railway market that would benefit consumers in

terms of providing a better and more efficient service. In this regard, a set of soft measures has been agreed in Vienna in 2015 with the set targets for aligning technical standards and formalising cross-border operation between the networks. Montenegro has already achieved a good progress, while pending issues are mainly related to adoption of network statement for the port of Bar and adoption the of road safety inspection standards Guidelines in the national legislations.

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

In the previous financial perspective 2007-2013, IPA supported projects in the transport sector with more than EUR 23.4 million, mainly focused on approximation with transport acquis, capacity building actions and infrastructure development, predominantly in the area of railways and maritime transport. Besides the EU, the Transport sector has also attracted several bilateral donors such as Czech Republic, Germany, France and Italy, as well as International Financial Institutions (IFIs) such as the EIB, EBRD, KfW among others.

Experience gained during the previous 2007-2013 programming period, and in particular through the multiannual programming period 2012-2013, shows some important **lessons learned** which need to be taken into account for future IPA assistance:

- **Strategic Planning and Project Prioritization:** Past experience shows how important is to have sound and updated Strategic Planning documents in place, which are prioritised, based on the most recent reliable data, which are costed and budgeted and which set clear performance indicators to assess progress against objectives. In that sense, financial programming of infrastructure projects requires special attention taking into account complementary studies such as environmental impact assessment, economic and financial feasibility, cost-benefit methodology and affordability limitations (fiscal space).
- **Project approach vs Sector approach:** Sector approach concept has to be internalised for future IPA support, avoiding isolated infrastructure projects not being addressed as part of comprehensive or core networks and identified through TEN-T methodology, and focusing more on the accession process, building among others the required capacities for a successful implementation of EU acquis. Continuity with strategic programming period 2012-2013, where strategic view for transport within IPA was introduced compared to previous years, needs to be ensured.
- **Project maturity:** Lack of mature projects and pipelines of projects has been identified as one of the elements hindering IPA implementation. Projects should be analysed not only from the relevance but as well from the maturity point of view. Project gap assessments have to be carried out in order to identify the project's needs for being ready for implementation. For those projects being identified as a priority, measures needs to be put in place in order to address well in advance the gaps in order to finalise technical studies together with all necessary complementary documentations.
- **Operation Structure set-up and long accreditation Process:** The long process prior to OS accreditation has influenced negatively on the timely implementation of RDOP 2012-2013. It is expected that future IPA II OS will rely on the existing OS, hence the accreditation process being more expedient and less time consuming as the previous one. Results from the final evaluation of this Action should be carefully taken into consideration.
- **Sector coordination:** Additionally, competent authorities need to be very proactive in cooperation with relevant internal and external stakeholders at central and local level. Inter-ministerial coordination is key to ensure coherence between sector policies and with the Government's priorities. As coordination among stakeholders is recognized as a crucial problem and overcoming, it will require comprehensive and clear information flows and focus on common understanding of responsibilities, obligations and deadlines. Likewise, sector coordination should also envisage formalised mechanisms to involve the relevant external stakeholder in the implementation and monitoring of policies and programmes.

- **EU procedures especially related to tender preparation:** OS bodies need to build capacity for implementation of IPA procedures, especially those related to EC Procurement and PRAG rules. Internal capacities in the line Ministries for preparing adequate Tender dossiers have to be reinforced. To be noted that this is to be distinguished from the national public procurement rules to be used once Montenegro joins the EU and becomes a Member State. On the other hand, the recent experience gained at the Directorate of Public Works as an Implementing body for contracting within the transport sector will facilitate a faster implementation during the next Programming period. Experience needs to be built and applied for the programming period 2016-2020.
- **Staff Turn-over and Administrative capacity:** Lessons learned from past assistance show that the capacity building process is key for ensuring sustainability, having in mind high employee turnover, reliance on temporary staff and lack of expert skills in the administration. This situation definitely hinders proper implementation of policies and projects. The Ministry of Interior is about to finalise the new PAR Strategy 2016-20 which also includes measures to strengthen professionalism and reduce politicisation of the public service. All activities foreseen in this AD should be complemented with specific capacity building activities targeting increasing know how in the IPA programme cycle

MTMA and ZICG already had experience regarding tender procedures for projects financed by IFIs and the EU. Recently, the DPW gained and consolidated understanding of the EU procedures through deep participation in preparing and launching several IPA I related railway infrastructures within the corridor Bar-Vrbnica. In addition, the ZICG has also participated in the development of the Terms of Reference for selection of the Consultants for Preparation of the Technical Documentation for contracting of the Design and Construction of safety and security actions for the railway sector. The MTMA and ZICG have developed/been trained on tender documentation for works contract to be implemented, under the Indirect Management Mode (DPW acting as Implementing Body). Procurement procedures for the Works Contract as well as for the FIDIC Engineer contract were completed successfully. Montenegro has recently adopted a comprehensive Public Finance management reform strategy which includes measures to improve public procurement system and related capacities.

Some obstacles in the implementation of the above mentioned projects such as inadequate response to the procurement notices for the supervision of works were resolved in the shortest possible period of time and will also stimulate the MTMA, ZICG and DPW to undertake preventive measures to avoid problems like this in the future.

Maritime Safety Department (MSD) which is under the competence of the MTMA, has implemented with success the VTMS Phase I. The new financial assistance in the maritime and inland waterways is expected to continue the trend in those investments through a second phase and through complementary and interrelated actions.

It is vital that, at a minimum, procurement and tender procedures be designed to ensure that they do not discriminate, either directly or indirectly, on the basis of sex, age, race and all other grounds covered in Montenegro's Law on Gender Equality, and Law on the Prohibition of Discrimination.

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
To improve the transport system in Montenegro in terms of quality, efficiency and safety by ensuring alignment to EU standards and facilitating inter-connection of Montenegro with the neighbouring countries and the EU.	Logistics performance Index (LPI) for infrastructure	World Bank LPI Report	Commitment of the MTMA, MSD, Railway companies, DPW.
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
To ensure alignment of the national legislation with the EU transport acquis and to increase the capacities for its implementation, as well as to improve rail, maritime and inland waterways transport	Overall assessment of level of preparations of Montenegro under chapters 14 and 21	- Draft Closing Benchmark Assessment Report	Increased safety of rail lines will improve the attractiveness of this transport mode comparing to the other transport modes A dedicated control and inspection unit will be put in place for ensuring implementation of the EU acquis
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (*)	SOURCES OF VERIFICATION	ASSUMPTIONS
Result 1: Improved transport conditions and travel times on the railway corridor Bar-Vrbnica Cross border railway station renovated and reconstructed to provide appropriate working conditions for both Montenegrin and Serbian border crossing authorities, taking into account the differential needs and expectations of both men and women.	Border control/Travel time on the rehabilitated section of the SEETO railway Corridor Bar-Vrbnica	- MTMA Annual Report - MSD Annual Report	An updated Transport Development Strategy is finalised and sets up clear priorities for the sector. All Transport stakeholders involved in the maritime and railway transport policy are involved, committed, coordinated and cooperative for the design, launch, preparation, implementation and monitoring of the activities defined
Result 2: Improved safety standards concerning maritime and inland transport Efficient system of monitoring the traffic of ships carrying dangerous and polluting goods, to establish a system of prevention of pollution from ships (VTMIS Phase I) Efficient equipment delivered for preventive/corrective measures in case of pollution, in accordance with IMO Conventions and EU regulations	The level of VTMIS system maritime safety coverage on the Montenegro coast Level of Montenegro coast protected from sea pollution caused by oil spill from vessels	- Harbour Master's Office Annual Reports - ZICG and Railway operator's reports on Operations - Report from Statistical Office of Montenegro and projections of railway operators - NIC reports	Single Project Pipeline is defined, respected and approved Lessons learned and complementarity with VTMIS Phase I are fully taken into consideration Time forecast and lessons learned from IPA I programming are seriously taken into account in order to increase efficiency of the system
Result 3: Improved capacity within national transport institutions and alignment with EU acquis completed. National Legislation and Strategies aligned with EU Acquis for Transport Project preparation facility used to conclude mature projects ready to be financed for construction Increased planning and management capacity for the Institutions involved on the implementation of Transport policies	Percentage of Transposition of EU legislation for the Maritime, Railways, Inland waterways transport Number of Mature Projects prepared, ready for Public Procurement		Adequate staffing and funding for institutions for transport management is in place in line with the whole-of-Government rightsizing plan. Commitment of the Government to undertake public administration reforms, with specific reference to reforming policy and coordination system and rightsizing public administration

DESCRIPTION OF ACTIVITIES

Result 1: Improved transport conditions and travel times on the railway corridor Bar–Vrbnica

Improving hinterland interconnectivity with neighbouring countries remains a key issue in the transport sector in Montenegro, in particular as regards the corridor Bar–Vrbnica–Belgrade. The Action will include an investment activity as covered within the one of the main priorities of the Single Project Pipeline, notably to improve and modernize the railway infrastructure on the Route 4 SEETO Comprehensive Network (Line Belgrade–Vrbnica–Bar).

Activity 1.1: Cross border railway station renovated and reconstructed to provide appropriate working conditions for both Montenegrin and Serbian border crossing authorities

For the purpose of better organisation and faster traffic flow at the border crossing between Serbia and Montenegro, in 2009 Governments of the two countries signed an Agreement on border crossing control in railway transport. According to the Agreement, the station building in Bijelo Polje has been appointed as joint border stations. In this regard, in order to achieve full implementation of the Agreement, it is necessary to adapt the station building to provide premises for the border authorities.

The main expected results of this action will be adaptation and reconstruction of the existing offices in the cross border railway station building Bijelo Polje on the Bar - Vrbnica railway line in order to provide appropriate working conditions and enable parallel control for Montenegrin and Serbian cross border authorities. This will exclude the need for double stopping of trains and decrease custom control/travel time for 30 min. This intervention will eliminate unnecessary waste of time affecting negatively the corporate users of the railway infrastructure, railway undertakings as well as the final users of their services.

The specific objectives of this intervention are: to increase the average speed and decrease travel times for passenger and freight traffic; to upgrade the station and working condition facilities along the border crossing point; and to improve hinterland connectivity with main neighbourhood countries. Care will be taken to ensure that the needs of both female and male staff and customers are understood and taken into account.

The available technical documentation for this project is conceptual design, therefore requiring further elaboration of the actual technical solution at the level of detailed design. The activity 1.1 will be implemented through the following complementary phases:

- 1st phase: development and approval of detailed and main design documentation.
- 2nd phase: implementation of the works contract using PRAG unit price or FIDIC Red Book based model of contracts
- 3rd phase: supervision of works

Result 2: Improved safety standards concerning maritime and inland transport

In the past five years, several efforts have been achieved for harmonising Montenegrin legislation with the EU acquis in the area of maritime safety and environmental pollution monitoring and prevention. In addition, Montenegro has been committed to improvements in international regulations related to the sailing safety and security such as IMO Convention, EMSA in terms of prevention of sea pollution from ships or national control in ports from the Paris Memorandum of Understanding. However, those tasks have not been achieved to meet all expectations of maritime safety and environmental pollution monitoring and prevention due to substantial lack of financial support and, consequently, lack of adequate technical equipment.

- Activity 2.1: Efficient system of monitoring the traffic of ships carrying dangerous and polluting goods, to establish a system of prevention of ships pollution (VTMIS Phase II)

Montenegro has for several years already promoted the advancement and strengthening of administrative and technical efficiency of the Maritime safety administration in the area of vessels monitoring, in particular of vessels carrying dangerous substances. This intervention tries to anticipate, prevent and put in place mitigating actions to avoid high risk of sea/inland water pollution from vessels. In a first phase, a VTMIS has

been financed including sensor equipment (radar, VHF transceivers, radio goniometer, AIS equipment, meteorological equipment, radio links, diesel generators) at locations Mavrijan (Ulcinj), Crni Rt (Bar) I Obosnik (Herceg Novi), combined with on the coastal waters set server equipment. As a complementary action, a second phase of the VTMIS programme is well seen as it will continue to cover the gaps in the missing sensors (cameras) at locations within the set VTMIS equipment from Phase I of the project (Mavrijan, Black Cape and Obosnik) and to complement within the new equipment in Boka Bay (radars, cameras and radio links) and Lake Skadar (radar, cameras, VHF and radio links). By implementing VTMIS mitigation actions, security and safety levels for large ships accessing Montenegrin ports on the littoral and Lake of Skadar will be improved. VTMIS activities will help decreasing risks of impact due to ship catastrophes and facilitates a more controlled and monitored growth of maritime traffic in Montenegrin ports. In addition, it is planned to implement a “National Maritime Single Window” (EU Directive 2010/65) through software, hardware and training. This intervention includes also the maintenance in main inland waterways and sea waterways (all accesses to Virpazar, Rijeka Crnojevica, River Bojana and Port of Kotor).

- Activity 2.2: Efficient equipment delivered for preventive/corrective measures in case of pollution, in accordance with IMO Conventions and EU regulations

It is also necessary to procure new response equipment on oil spills from vessel and off shore oil platforms in Montenegro sea. To fight against potential risks of pollution and react in a time responsive manner against natural attacks against the environment, port infrastructures, mainly at Bar and Kotor, require to be equipped with the adequate equipment to prevent, monitor, react and treat all kind of pollution in the sea territorial waters and inland waterways. Equipment placed to those authorities will remain the property of the end user MSD as part of an overall national oil spill response equipment inventory. Decision for usage and deployment of equipment will be done only by the end user MSD. The equipment will be maintained in accordance with the standards specified in maintenance plans developed by MSD, to ensure readiness, availability and protection against risks during deployment. It consist of multipurpose vessel for open seas, skimmer, powerpack (diesel generator and hydraulic pump) with hoses, light oil coastal recovery boom with reels, floating absorbent boon, granulated absorbents and training.

Also this intervention will promote specialized preventive and dedicated equipment, which will reflect the EU policy and Acquis in the maritime and inland waterways transport mode. It includes supply and installation of equipment for signalization of the inland and maritime waterways, revitalization of marine lights and safety navigation objects as necessary for safety navigation in inland waterways in Skadarsko lake, in mouth of River Bojana where many SAR accidents occur and in the Adriatic Sea. Care will be taken to ensure that the health and safety of male and female staff are understood and catered for. Similarly consideration will be given to the potential differential impact of pollutants on men and on women.

Result 3: Improved capacity within national transport institutions and alignment with EU acquis completed

The need for these interventions has been highlighted by the sector analysis, in particular the institutional set up. Due to lack of capacity within the different institutions, continuous institutional strengthening and support to programming and implementation is essential to ensure the foreseen and expected quality/maturity of project pipeline and increase absorption capacity rates. It mainly consists of three major activities:

- Activity 3.1: Increased planning and management capacity for the Institutions involved on the implementation of Transport policies

Under this activity will be drawn up an institutional adjustment and Capacity Building Plan for transposition and implementation of Transport legislation at the MTMA, MSD, and local government units in line with the reforms of the policy development and coordination system that the Government has included in its PAR strategy 2016-20. The plan will improve inter-sectoral communication and coordination as well as cooperation with the relevant external stakeholders, in implementation of national legislation through which EU legislation on transport modes are transposed, particularly for the purpose of strengthening inter-sectoral

cooperation in the supervision of implementation of these pieces of legislation. In accordance with the overall resizing and public administration reorganisation plan, which the government has envisaged in the PAR strategy, the Plan will include an institutional and operational analysis as one of the key activities that will enable assessment of the capacity and the characteristics of the institutional, administrative and operational policies and procedures, related to transport sector management. This analysis should identify the opportunities for changes in the organization and working processes and policies. Focus of this analysis should be set on identification of all key actors and their roles at all levels and functions dealing with transport sector management in Montenegro; current assets being managed and current organization policies and working procedures; available and used resources and the quality of the services being provided. Careful analysis of the findings of the previous activities should result in identification of the areas where the capacity building will be needed and in what format.

The expected outputs of this intervention are:

- Operational units and departments related to transport policies restructured,
- Working procedures and processes reviewed or redone,
- Capacity Building Programme prepared and in place for Programming, Procurement, Monitoring and Implementation
- Support through technical assistance contracted and used

Special attention will be brought to design capacity building actions aiming to build the skills to work in a better sustainable way to the long term. Particularly important is to pay attention at the future management of Structural Funds. All capacity building activities should make the link between current management and monitoring of IPA funds and the future Structural Funds.

- Activity 3.2: Support to Project Preparation

This intervention includes Project preparation from initiation to development or any activity related to project maturity, including project planning and prioritisation, programming documents leading to financially viable projects for financing by EU pre-accession/accession assistance, by IFIs and/or other donors and national funds, developed and ready for implementation (e.g. feasibility studies, technical design, cost-benefit analyses, environmental impact assessments, application forms for major projects, etc.). Activities may also cover project management and supervision. Two main weaknesses have been identified in the existing selection procedures. Firstly, little attention is paid to the strategic significance of projects i.e. to their potential contribution towards achieving strategic objectives. Secondly, the assessment of project readiness (maturity) does not take into account the quality (reliability of data) and completeness of planning and technical documentation. In response to these weaknesses, it is proposed to incorporate additional assessments into the existing project selection process, namely the Strategic Relevance Assessment and the Gap Assessment of the projects before final selection.

The Action will support the preparation and implementation of projects on the Comprehensive and Core Networks, with a particular focus on quick gains and removing of bottlenecks. Priorities should be duly identified and appraised as part of the Single Project Pipeline for Montenegro. The choice of priority projects will be submitted to the Delegation of the European Union to Montenegro for prior endorsement.

Example of interventions could include:

- Updated project data base for the transport sector including status of project maturity and documentation

- Improvement of Corridor Railway Route 4 Bar–Vrbnica and 2 Podgorica–Tuzi-CB Albania (rehabilitation of the station tracks on stations Bratonožici and Bioče and overall of switches, rehabilitation of the open track on the section Bratonožici-Bioče, rehabilitation of tracks and switches in station Lutovo, improvement of station Tuzi, ...)
- Removal of bottlenecks on main international roads (focusing on cross-border road sections) and improved transit on national sections (by-passes),
- Activity 3.3: National Legislation and Strategies aligned with EU Acquis for Transport

Previous programming period has contributed to support the alignment of the transport legislation with the EU acquis in terms of legislative measures particularly in areas such as safety and security. It is required to continue the reform process in the field of transport through improvement of legal and institutional system, support to the ratification of conventions, protocols and international agreements. As part of the negotiation process for accession, support for harmonising the current national legislation according to the EU acquis is mandatory.

The closing benchmarks for Chapter 14 transport policy for Montenegro to align with are:

- EU *acquis* concerning road charging, social *acquis* in road transport, new rules on weights and dimensions of heavy goods vehicles and vehicles transporting passengers as well as the common rules for access to the profession of road transport operator, to the international road haulage market and to the international market for coach and bus services;
- Competent, independent and effective railway regulatory body and safety authority and EU safety and interoperability standards;
- *Acquis* on passenger rights in all modes of transport;
- *Acquis* on air traffic management;
- *Acquis* on inland waterways.

Montenegro made some progress in the area of implementation of ITS, because European standards are prescribed through the preparation of project documentation (which is applied to future projects in the main network). Although the ITS in the EU is governed by Directive (2010/40 / EU) this directive has not yet been transposed into national legislation. Montenegro's Programme of Accession to the European Union stipulates that the new Law on Roads has to be adopted in the fourth quarter of 2017 and it will contain a legal basis for the drafting of the Rulebook on the implementation of ITS which is planned for the fourth quarter of 2018.

According to clean vehicles, in order to harmonize an Administrative part with the EU legislation our obligations under Montenegro Programme Accession to EU 2016-2018 are that national legislation has to be harmonized until 2018 in line with the four basic EU Directives (Directive 2007/46 /EC; 2002/24/ EC; 2003/37 / EC and 97/68/EC) . It is important to note that the harmonization of the administrative part of the system for homologation in line with EU legislation (Directive 2007/46 / EC; 2002/24 / EC; 2003/37 / EC and 97/68/EC) is one of the basic prerequisites for closing Chapter 1 - Free movement of goods. The Ministry of Transport and Maritime Affairs is currently working on a Rulebook concerning the homologation of motor vehicles which will be harmonized with the EU Directives. After the adoption of the new Rulebook, the Ministry will publish all the technical regulations which will be harmonized with EU technical directives that are identical with the UNECE regulations which are already applied based on the Agreement on the adoption of technical prescriptions for wheeled vehicles, equipment and parts that can be installed and / or used on wheeled vehicles and the conditions for mutual recognition of granted homologation on the basis of these regulations.

The Ministry of Transport / Department for Transport, regarding the implementation of soft measures relating to road safety (Road safety measure soft), during the preparation of project documentation for construction and reconstruction of sections of roads main and regional roads in Montenegro, from designers and auditors requires that through the analysis of the impact of the planned works, to anticipate and reduce

influences from the social aspect, which directly affects the increase of safety. This presents a detailed revision of safety (safety audit) at the design stage.

In particular, for the implementation of EU inland waterways acquis, three relevant EU Directives need to be integrated into the current technical rules for vessels and the crew:

- Directive 2006/87/EC, laying down technical requirements for inland waterway vessels
- Directive 96/50/EC, on the harmonization of the conditions for obtaining national boat masters' certificates for the carriage of goods and passengers by inland waterway in the Community
- Directive 2004/26/EC, on measures against the emission of gaseous and particulate pollutants from internal combustion engines to be installed in non-road mobile machinery

For the implementation of EU railways acquis, preparation of a comprehensive Track Access Charges Methodology has to be developed in line with the recommendations and requirements of current European directives and norms

- Directive 2001/14/EC of 26 February 2001 on the allocation of railway infrastructure capacity and the levying of charges for the use of railway infrastructure and safety certification,
- Regulation No 41 of 26.06.2001 regarding the access to and use of railway infrastructure,
- Recast of the First Railway Package as amendment of the directives included in the package,
- Directive 2012/34/EU, of the European Parliament and the Council of 21 November 2012 establishing a Single European Railway Area and the new Regulation 2015/909 on the modalities for the calculation of the cost that is directly incurred as a result of operating the train service.

Having in mind the fact that since 2014 and adoption of new Law on Railways, Montenegro has opened its railway market, development of Track Access Charges (TAC) and determination of costs for railway infrastructure will contribute to creation of non-discriminatory conditions for all railway undertakings. It is necessary to adopt a methodology that will take into account the multi-criteria analysis of railway market in Montenegro as well as EU regulations that determine the method of calculating the costs of Infrastructure Manager (IM), which of those costs are allowed to be the part of TAC as well as socio-economic and environmental impacts. Also in line with the EU law, it is necessary to elaborate in detail all the other charges that are not directly related to the track access. In this way the IM will be able to plan maintenance and investment, and through a Network statement, according to this methodology, railway undertakings will be able to calculate the costs incurred to the track access. Close cooperation with the Ministry of Finance will be necessary to ensure that the necessary financial resources for the implementation of legislation are allocated in the annual budget laws and reflected in the mid-term budgetary framework.

RISKS

Assumptions underlying the action are:

- Further revision of by-laws, alignment and full transposition of the EU legislation is completed by 2017 that will enable the implementation of several laws on transportation.
- Adequate staffing and funding for institutions for transport management is in place in line with the whole-of-Government rightsizing plan.
- Costs of operation for new institutions and equipment, clear accountability lines as well as salaries of new staff ensured.
- Legal, institutional etc. proposals and results of the project are implemented in a consequent manner;
- Cooperation among the NIC, MTMA, ZICG, MSD, DPW, local authorities responsible for various aspects of transport management and with key external stakeholders is strengthened
- Commitment of the Government to undertake public administration reforms, with specific reference to reforming policy and coordination system and rightsizing public administration.

The risks which may affect the successful execution of the project are as follows.

Risks	Degree of probability	Mitigation factors
Institutional capacity not at sufficient level. Lack of adequate number and quality staffing	High	Take advantage of the future PAR programme by identifying shortage and put in place corrective measures
Delays and quality/ reliability of outputs in project preparation to advance on building a mature project pipeline	Medium	Based on lessons learned, adequate technical monitoring and quality control of deliverables (cost benefit analysis, EIA and technical design) is in place through better qualified and trained internal staff
Transposition of the EU legislation is not fully considered as a priority in the next years which may cause delays with the implementation of some activities	Low	Government of Montenegro has put as a priority to continue its effort in harmonizing national legislation with EU acquis. This trend would normally continue in the next years in line of meeting targets for the EU accession
Need to reduce public debt may affect measures to strengthen administrative capacities in key institutions, especially in terms of staffing	Medium	Government of Montenegro should work on staff retention and improving technical skills based on designed training programmes through the Programme. Level of capacity of absorption should be tracked based on past experience in order to design feasible and sustainable programmes

CONDITIONS FOR IMPLEMENTATION

This action comes to support Montenegro in the process of aligning and implementing its transport policy (including the updated Transport Development Strategy) and help meet the objectives of the Berlin Process and the Connectivity Agenda. Montenegro will undertake to ensure that the conditions underlying the action are fully met throughout its implementation, as well as after its completion:

- Effective cooperation among the Ministry and the other competent authorities in the Transport sector;
- Continued implementation of the soft measures identified in the context of the Berlin process and the Connectivity Agenda;
- Successful continuation and realisation of planned activities and commitment of all involved (Ministry and other stakeholders) to actively participate in the action;
- Costs of maintenance and operation for new institutions and equipment, as well as salaries of new staff are envisaged and ensured

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

The overall responsibility for the development, management and coordination of the transport sector in Montenegro lies within the MTMA, which will coordinate activities among stakeholders and define the time frame for the implementation of activities. One of the administrative bodies established under the competence of the Ministry to act as public authority, regulatory and safety authority is the Railway

Directorate. Allocation of infrastructure facilities to all interested railway undertakings lies within the Railway Infrastructure of Montenegro (ZICG AD) joint-stock company, established according to the Strategy of restructuring of the Railways of Montenegro.

As a final user ZICG develops and invests in the railway infrastructure, secures its modernization and maintenance, which is on a state level managed by the Railway Directorate.

The Directorate for Public Works (DPW) as the Implementing Agency under IPA, will be responsible for all procedural aspects of the tendering process, contracting matters and financial management (including payments) of the activities and EUD will be entitled to give the ex-ante approvals unless the control modality is changed to ex post.. ZICG will provide support to the DPW whereby ensuring the proper technical implementation of the contract activities. In this regard, the DPW and MTMA will closely cooperate throughout the contracts implementation process.

The Maritime Safety Department (MSD) will ensure conditions for, and actual performance of tasks stemming from the international obligations that the State has agreed to by signing conventions, agreements and protocols, related to the safety and security of navigation in the area of responsibility of the Contracting Government. They will actively participate in project implementation and will be end recipient of response equipment.

IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

Implementation will be carried out in indirect management mode. Co-financing in the adequate amount (15%) will be provided by the Government of Montenegro. The Contracting Authority will be the DPW. The Action will be implemented through service and supply contracts, twinnings and grants to Civil Society Organisations. Supply Contracts may be divided in several lots if deemed necessary during the implementation.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

In line with the IPA II Implementing Regulation 447/2014, an IPA II beneficiary who has been entrusted budget implementation tasks of IPA II assistance shall be responsible for conducting evaluations of the programmes it manages.

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

Monitoring and evaluation of the implementation of this Action will be conducted in accordance with the rules of indirect management and respecting the requirements and provisions of IPA II regulations and those that will be laid down in Framework Agreement and in respective Financing Agreement. Achieving of the Action results will be regularly monitored by the Steering Committee (SC) and National IPA Coordinator.

A Steering Committee (SC) will be established to review the Action progress, comprising of representatives of Sector Working Group (SWG) for Transport, beneficiary institutions, DPW, NIC Secretariat and NIPAC Office. The EU Delegation to Montenegro will attend as Observer. The SC may invite other organizations to attend meetings in cases where this will bring added value to discussion, direction and outcomes of the Action. Representatives of the other key stakeholders may also be invited to attend SC meetings where relevant (in particular Ministry of interior (public administration reform aspects), Ministry of Finance (Public Finance management system and budget planning) and Human Resources Management Authority (in charge of professional development across the public administration). The Steering Committee will submit the choice of priority projects to the Delegation of the European Union to Montenegro for prior endorsement.

A Sectoral Monitoring Committee will be set up immediately upon entry into force of the Financing agreement related to the action document. The Sectoral Monitoring Committee will be co-chaired by NIPAC or high ranking official representative of the Government, and a representative of the Commission. Its member will include:

- The National IPA Coordinator or his/her representative;
- A representative of the Commission;
- Representatives of each transport structure for the programme;
- Representatives from the state and local government authorities, civil society and socio-economic partners, regional or national organisations with an interest in and contribution to make to the effective implementation of the programme.
- The National Authorising Officer;
- A representative of the National Fund.

Sectoral monitoring committee shall review the effectiveness, efficiency, quality, coherence, coordination and compliance of the implementation of the activities of the action document and their consistency with the relevant national and, whenever relevant, regional sector strategies. It shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution.

Operational conclusions, including any recommendations, will be drawn at the end of the Sectoral Monitoring Committee meetings. These conclusions shall be subject to adequate follow-up and a review in the following committee meetings and shall be the basis for reporting to the IPA monitoring committee on progress made.

Implementation of this Action will be subject of special attention of IPA Monitoring Committee which shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. The Sector Monitoring Committee will report to the IPA Monitoring Committee and will make proposals on any corrective action to ensure the achievement of the objectives of the Action and enhance its efficiency, effectiveness, impact and sustainability.

Moreover, in accordance with Article 8 of Commission Implementing Regulation (EU) no 447/2014 NIPAC shall take measures to ensure that the objectives set out in the Action are appropriately addressed during the implementation of EU assistance. Procedures for implementing monitoring activities will be set out in the revised Manuals of Procedures aligned with new IPA regulations. Best practices from the monitoring of implementation of previous actions and recommendations given by external monitoring in this sector will be also taken into consideration.

This Action shall be subject to evaluations, in accordance with Article 30(4) of Regulation (EU, EURATOM) No 966/2012 and with Article 22 of Commission Implementing Regulation (EU) no 447/2014. The results of evaluations shall be taken into account by the IPA Monitoring Committee and the Sector Monitoring Committee.

INDICATOR MEASUREMENT

Indicator	Baseline (2015)	Target 2020	Final Target (2021)	Source of information
OUTCOME INDICATOR:				
Overall assessment of level of preparations of Montenegro under chapters 14 and 21	Improved	Closing benchmarked considered to be met	Closing benchmarked considered to be met	Draft Closing benchmark assessment report
OUTPUT INDICATORS:				
OUTPUT INDICATORS FOR RESULT 1:				
Border control/Travel time on the rehabilitated section of the SEETO railway Corridor Bar-Vrbnica	60 min	30 min	30 min	<ul style="list-style-type: none"> • MTMA Annual Report • MSD Annual Report
OUTPUT INDICATORS FOR RESULT 2:				
The Level of Montenegro coast covered by VTMS system maritime safety	160km	200 km	200 km	<ul style="list-style-type: none"> • Harbour Master's Office Annual Reports • ZICG and Railway operator's reports on Operations • Report from Statistical Office of Montenegro and projections of railway operators
Level of Montenegro coast protected from sea pollution caused by oil spill from vessels	140km	294km	294km	<ul style="list-style-type: none"> • IPA Monitoring Committee Reports. • Service Contract Interim and Final Reports
OUTPUT INDICATORS FOR RESULT 3:				
Percentage of Transition of EU legislation for the Maritime, Railways, Inland waterways transport	60%	95%	95%	
Number of Mature Projects prepared, ready for Public Procurement.	3	12	12	

5. SECTOR APPROACH ASSESSMENT

Overall, the transport sector has been improving in terms of sector approach but still requires some gaps to be covered. Next Programming 2016-2020 period represents an opportunity to fill in those gaps in order to move towards a more consistent, coherent and coordinated and evidence-based transport sector policy. Hereby are presented some recommendations to be taken into account in order to move in that direction:

The main transport development strategy requires updating its list of “strategic projects”. This is currently being addressed through the selection prioritization analysis, both through the WBIF and TA support for IPA II Programming.

New and readapted needs are to be defined based on the concept of European transport corridors, efficiency and multimodality and combination of several transport modes. Apart from the routes defined by SEETO for Montenegro, discussions are going on between Montenegro and the EC to formalize corridors within TEN-T network.

The main transport development strategy requires to be extended in time covering at least the period up to 2020. This is currently being addressed at the Ministry in particular by updating the list of priority projects to be financed during the current decade.

In that sense, in order to guarantee a coherent strategic framework, each transport mode sub strategies and its related Action Plans should be in line with the main transport development strategy matching the corresponding needs covered by the bottom up project pipeline. In addition, transport related objectives must be coherent with other sector objectives and with the priorities of the Government. However, a full maturity gap assessment is necessary after list of selected prioritized projects is agreed by all parties. This gap assessment will show the necessity to conduct detailed feasibility studies and use of TA for confirming the viability of the projects.

Action Plans should be prepared in an inclusive and evidence-based way, including a prioritization of selected projects gathered within the measures/priorities identified, accurate calculation of costs for their implementation and analysis of environmental and socio-economic impacts. Once the prioritization based on a multi criteria analysis set up for the WBIF, not only a planning of intervention per main projects will be needed but also an indication of the fiscal space for financing all the pre-selected projects.

In terms of institutional setting, the Government of Montenegro still faces important administrative capacity challenges in this sector due to fluctuation of staff, reliance on temporary staff and lack of skills in the administration. All these factors hinder proper implementation of sector policies, projects and reforms. Hence, further development need to be focused on staff retention policy. These issues are partially addressed in the PAR Strategy 2016-20.

There is need to reinforce the capacities of the representatives of the Sector Working Group in terms of guidance and preparation of the Programming and strategic planning.

The MTMA should establish a separate strategic department/directorate as a key unit in charge of Programming, prioritisation and strategic planning, assuming the required responsibilities for detecting and analysing the sector needs, establishing the key strategic priorities for the short, medium and long term and coordinating the programming together with its relevant competent institutional partner bodies. If not possible, at least one or two key staff within the MTMA should be in charge of planning/ programming.

Capacity building actions, support to improve the regulatory framework and *acquis communautaire*, additional technical advice and support to project preparation for covering the maturity gaps identified in the prioritized list of selected are important needs to be covered.

In terms of sector and donor coordination mechanisms, it is necessary not only to build and reinforce the capacities of the representatives of the Sector Working Group as the main instrument for sector coordination but also to build on the experience of the database for donor coordination already prepared under the Office of the Prime Minister a few years ago and to count on the recently created Central Donor coordination unit under the General Directorate for Economic Diplomacy and Cultural Cooperation of the MFAEI to continue the process by using the centrally collected information and disseminating it to the Lead Institution in charge of the transport sector. Moreover, sector coordination will also require appropriate consultations with the key

external stakeholders representing relevant interests. In addition the database for transport should be primarily built up upon the list of single project pipeline defined by the NIC through the WBIF.

There is still a big gap in terms of source of funding to cover all infrastructure needs in particular for the road and railway sector. It is also clear that final prioritization of projects will require taking into account fiscal space. An adequate balance between the different transport modes needs to be found. The ministry of Finance must be included in policy discussions.

Regarding sector monitoring, new monitoring mechanisms set up within the OP RD 2012-2013 for the MTMA should be used as a basis to be further consolidated in order to initially gain experience in monitoring priorities and measures (including effective tools with target and results indicators) to further expand in the long term towards a complete and coherent sector follow up.

In terms of key Investments within the sector, next years will predominantly focus on the construction of some key road sections, such as the 41 km Bar-Boljare highway. It is expected to be financed through national funds and IFIs. In parallel to this large investment, the prioritisation of regional connectivity projects within the WBIF will further contribute to the overall sector development and its integration with the region. In this regards IPA II assistance will definitely accommodate to the list of Single Project Pipeline within the sector, focusing on interventions promoting environmentally friendly transport modes primarily tackling further rehabilitation of the railway line Bar-Vrbnica as part of the SEETO Route 4.

The current budget of the MTMA for 2015 is 25,461,884.15 euro and capital budget is 242,500,000.00 euro. Each relevant institution in railway and maritime sub sectors receives dedicated financial allocation. In line with MDD, it is planned to allocate for the transport sector 554 Million Euro for the period 2013-2016 while it becomes less optimistic for adequately filling the gaps for financing the required investments. In line with MDD 2015-2018 for pillar sustainable development specifically for transport sector for implementation of 85 projects, the allocation remains at 1.123.714.305. €.

PFM in Montenegro is largely decentralized, with central policymaking and standard setting centralized and execution decentralized. In terms of performance, the limitations are related to the omission of significant donor project expenditure in fiscal reports, lack of transparency and predictability of central government grants to local self-governments, and, lack of data on collection of tax arrears and of regular reconciliation of assessments, collections and arrears and, lack of commitment control on expenditure, no functional or administrative breakdown of expenditure for comparison with budgets, and non-disclosure of accounting standards in the annual financial statements, despite the commitment shown in the Economic Reform Programme 2015 – 2017 to increase the transparency of public finance and its adjustment to the EU Acquis, with special focus on introduction of ESA2010 (European System of National and Regional Accounts). In that sense, it is too early to foreseen a budget sector support within the sector.

6. CROSS-CUTTING ISSUES

GENDER MAINSTREAMING

Transport and its related services is a critical catalyst for economic growth, and directly and indirectly influence a creation of the new positions. Inclusion of women in the rail industry will happen by direct employment, or by using women- owned entities for procurement purposes. Women play an important role in the entrepreneurial economy, both in their ability to create jobs for themselves and to create jobs for others. The provision of affordable, safe and reliable transportation of goods and people will be a strong tool for increased mobility of women. Equal opportunity principles and practices in ensuring equitable gender participation in the project will be guaranteed. Male and female participation in the project will be based on the relevant EU standards and will be assured by official announcements published to recruit staff needed for the project. The main criteria for recruitment will be based on appropriate qualifications and experience in similar projects, regardless of gender or age. Both, men and women, will have equal opportunities.

Though the activities encompassed in this Action are of low relevance to the promotion of gender equality, this document indicates a starting place for the inclusion of a gender equality perspective so as to contribute to the improvement of the transport sector so as to enhance the economic, social and cultural welfare of the people of Montenegro.

Therefore, gender mainstreaming needs to be applied throughout the overarching programming cycle of this thematic sector, following key steps:

- Gender Analysis and programme design should be based on evidence-gathering through sex disaggregated data, analyses of context and findings from evaluations and research existing in the area. In case of highly technical intervention, specific impact on society should be integrated in the analyses with specific reflections on gender dimension. Impact level of gender analyses will enable relevance of development intervention in transport on human development and in that sense assure measures for equal opportunities for all.
- In cases of identified targeted interventions for gender equality work or gender mainstreaming capacity development intervention, financial resources need to be assured.
- Monitoring, evaluation and reporting should be aligned with mainstreaming modality and based on that assure measurable contribution to people centered, development and application of corporate requirement for gender mainstreaming. For technical programs and interventions that respectively have strongest gender aspect at the impact level of programmatic intervention should assure that analyses, data collection and necessary impact level studies with gender analyses accompany technical interventions.

EQUAL OPPORTUNITIES

Any employment opportunities associated with this Action will be open to all citizens, including minority groups (Roma, disable people and other disadvantage groups from society) and women. Further, the transport benefits accruing from this action will enhance opportunities for both women and men through specific analysis when designing the programs, through specific public consultations and through consideration when conceiving and delivering training activities.

It will be necessary to promote from future works and service contractors not to make employment recruitment decisions on the basis of personal characteristics unrelated to inherent job requirements. Contractors would be advise to base the employment relationship on the principle of equal opportunity and fair treatment, and not discriminate with respect to aspects of the employment relationship, including recruitment and hiring, compensation (including wages and benefits), working conditions and terms of employment, access to training, promotion, termination of employment or retirement, and discipline. Contractors shall also ensure equal remuneration for men and women at work of equal value. Inclusion of the ROMA and Egyptian population shall be stimulated by using the benefits of the country strategy in subsidizing their salaries and/or the use of tax incentives. An effort will be made in the respect to integration of persons with disabilities related to health care, social protection and pension disability insurance, field of education, professional training and employment, accessibility, culture, sport and recreation, as well as the field related to the position of disabled people's organizations in civil society

MINORITIES AND VULNERABLE GROUPS

There are current legislative provisions for the protection of minority rights. The proposed Action will, as far as is practicable, take the required steps to assure that the internal policies, structure or operating procedures of the beneficiary will conform with or promote the minority issues. Minority and vulnerable groups' concerns will be reflected in all activities programmed under IPA, in particular when it concerns public services, legislative matters and socio-economic development. All minorities and vulnerable groups will benefit from this Action, as its impact will help ensure a cleaner, safer and quicker transport links. Vulnerable groups tend to suffer disproportionately from poor mobility, and will thus benefit directly from their improvement.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

The Law on Strategic Environmental Assessment (SEA) (Official Gazette of Montenegro, no. 80/05) which stipulates the conditions, methods and procedures for undertaking of SEA of certain plans or programmes, provides for public participation as one of its objectives (Article 19 Public Debate). *The Law on Spatial*

Development and Construction of Structures (Official Gazette of Montenegro, No. 51/08) also provides for the presence of the public in the spatial development proceeding (Article 42 Public Debate). All transport Institutions should comply with these and other related obligations defined by the law in order to engage and give the opportunity to the civil society to express their concerns.

In the context of the obligation to apply a gender mainstreaming approach, every effort will be made to maximise the dissemination of information to and the engagement of as broad a representation of the public as possible. This will involve the engagement with civil society representative organisations, including those representing women.

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

Tracking climate finance is to be based on the so called Rio Markers methodology. Following the Rio Markers methodology, transport infrastructure actions will take this sensitive issue into account. Railway infrastructure for this Action shall provide elaborates on the assessment of environmental impact in conjunction with the requirements of the Environmental Protection Agency. Also rehabilitation works on the line are recognized as works with the smallest polluting. One of the main activities through Transport Development Strategy of Montenegro is implementation of legal regulation, with EU standards related to safety, security and environmental protection. Also Railway Transport is recognized as a mode of transport which has minimal impact on the environment in comparison with other modes of transport. It will be possible to use optimal originally designed speed for trains which will result in decreased consumption of electrical energy and therefore improved energy efficiency. The contractor shall comply will all applicable Montenegro legislation, regulations and specifications with respect to all measures, operations and administrative steps required for the full protection and safeguarding of the environment. The contractor will be responsible for the proper disposal of sewage from all places within the site and shall comply strictly with the regulations of the relevant authorities. The contractor shall comply with the regulations of the employer and the firefighting authorities and take all necessary precautions throughout the execution and completion of the works to prevent outbreak of fire. During the execution and completion of the works, the contractor shall protect the environment on and off the site from contamination. Accordingly, the contractor shall collect all kinds of waste, including offal, production and communal wastes, and transport them to a waste landfill approved by the FIDIC Engineer. The contractor shall not release, or permit to be released into the air, water and land area at or in the vicinity of the site any toxic or harmful effluent or substance. Where the contractor’s activity is subject to regulation under applicable environmental laws, the FIDIC Engineer may require the contractor to submit evidence of his compliance with such laws, including but not limited to, the submission of any required permits, payment of fees, or compliance with any obligatory administrative procedures. Most of the activities foreseen under this Action Document are relevant for EU Climate Action Policy:

Activities	Links to Climate Action	Relevance for Climate Action
Activities linked to R1: Improved transport conditions and travel times on the railway corridor Bar–Vrbnica		
Activity 1.1: Cross border railway station renovated and reconstructed to provide appropriate working conditions for both Montenegrin and Serbian border crossing authorities	Project infrastructure from railway subsector will have a beneficial impact trough the promotion of low carbon modes of transport. Most in particular, when waiting times are reduced and carbon emissions are reduced.	✓
Activities linked to R2: Improved safety standards concerning maritime and inland transport		
Activity 2.1: Efficient system of monitoring the traffic of ships carrying dangerous and polluting goods, to establish a system of prevention of ships pollution (VTMIS Phase	This activity will support Montenegro to fulfil monitoring and reporting obligations according to EU acquis. It has also a clear ex ante impact on preventive pollution and impact on the	✓

II)	environment	
Activity 2.2: Efficient equipment delivered for preventive/corrective measures in case of pollution, in accordance with IMO Conventions and EU regulations	This activity will support Montenegro to fulfil monitoring and reporting obligations according to EU regulations and IMO conventions. It has also a clear ex ante impact on preventive pollution and impact on the environment	✓
Activities linked to R3: Improved capacity within national transport institutions and alignment with EU acquis completed		
Activity 3.1: Increased planning and management capacity for the Institutions involved on the implementation of Transport policies	Capacity building will address Climate Action from a transversal point of view, promoting its mainstreaming in all correspondent Transport subsectors	✓
Activity 3.2: Support to Project Preparation	Projects are mainly related to maritime and railway subsectors then having a beneficial impact trough the promotion of low carbon modes of transport	✓
Activity 3.3: National Legislation and Strategies aligned with EU Acquis for Transport	Adequate level of EU transposition is a key indicator for accession. Legislation will also considered the EU Acquis for Climate action related to transport modes	✓

7. SUSTAINABILITY

Though the investments in the railway sector, it is expected to reduce the Operation and Maintenance (O&M) costs. It is, however, important to emphasize the need for the proper monitoring systems to be in place and the ZICG to perform the regular cleaning and removal of the accumulated rocks from escarpments along the route. Maintaining also the railway in good technical condition is high on the financial planning priority list of the ZICG, which will provide the necessary funds for future maintenance.

The border crossing procedures given the share of the ownership between the custom authorities in Montenegro and Serbia are prescribed in the following protocols which are signed and based on the Agreement on border crossing control in railway transport 2009:

- Protocol on the organization and regulation of railway transport at the border line and in the common border station Bijelo Polje between Serbian Railways, Railway Infrastructure of Montenegro, Montecargo JSC Railway transport of Montenegro JSC (September 2010).
- Protocol between the Ministry of Internal Affairs and Public Administration of Montenegro and the Ministry of Internal Affairs of the Republic of Serbia on the implementation of the agreement between the Government of Montenegro and the Government of the Republic of Serbia on border control in railway traffic (13 October 2010, in Belgrade).
- Protocol between the Ministry of Agriculture, Forestry and Water Management of Montenegro and the Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia on Border phytosanitary and veterinary inspection control in railway transport. (13 October 2010, in Belgrade).

In the forthcoming period there will be a couple provisions harmonized and incorporated in the above mentioned Agreement which will be based on the two agreements such as the Agreement between the Government of Montenegro and the Council of Ministers of the Republic of Albania on organizing cross-border rail traffic and also the Agreement between the Government of the Republic of Serbia and the Republic of Macedonia on establishing border procedures for railway border crossing Presevo-Tabanovce.

Maintenance costs for VTMIS will be ensured through national costs. As a way of co-financing the investments, the operating costs of VTMIS system will include maintenance contracts, spare parts and service providers such as internet, radio links, electricity for sites, fuel for generators, licences).

To be sustainable any institutional reform proposed by the Action will align the overall public administration reform.

8. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action. The implementation of the communication activities shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicise the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the European Commission (DG NEAR) will have to be followed.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds. The communication and visibility activities shall demonstrate the benefits of the action for the general public.

As part of the support for this action, the reconstruction of a joint rail border crossing point between Montenegro and Serbia on the main railway corridor connecting Montenegro to Serbia will be supported. As a result, trains will need to stop only once for customs and border controls and the time spent at the border will be cut in half. This intervention will provide tangible improvements in the transport conditions between the two countries and show the benefits of the connectivity agenda. Improved transport conditions and travel times on the railway corridor Bar–Belgrade (i.e. shorten travel time with 30 minutes) will be made visible through adequate communication tools.

It is the responsibility of the beneficiary to keep the EU Delegation fully informed of the planning and implementation of the specific visibility and communication activities.

The beneficiary shall report on its visibility and communication actions in the report submitted to the IPA Monitoring Committee and the Sectoral Monitoring Committees.

Every effort will be made to ensure that the communication and visibility activities will target all sectors of the population equally. In particular the women and minority groups are to be specifically taken into account in activities related to communication and visibility.

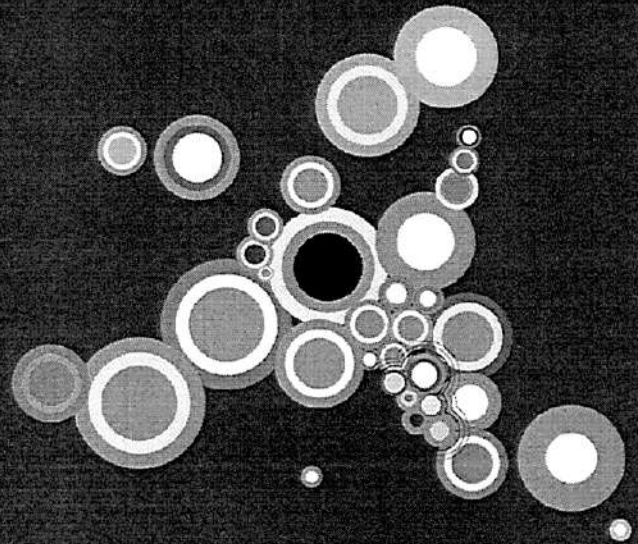
LIST OF ANNEXES

1. Annex Implementation - Budget



INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

MONTENEGRO EU Integration Facility



Action summary

The Action aims at providing flexible support to the Chief Negotiator / NIPAC Office and to line ministries in addressing specific needs identified in the course of implementation of EU assistance – IPA II, supporting accession negotiation process, and reinforcing the institutional capacities for managing accession process and EU funds. This objective will be achieved through the capacity building interventions, preparation of well-targeted, mature and good quality actions or sector documents, preparation of tender documentation or other preparatory studies or through the implementation of activities that will ensure the effective and timely implementation of IPA programmes. Some needs related to the negotiation process not addressed in the rest of the programme could also be addressed.

Action Identification			
Action Programme Title	Annual Action Programme for Montenegro for the year 2017		
Action Title	EU Integration Facility		
Action ID	IPA 2017/ 040-216.01/ME/EU Integration Facility		
Sector Information			
IPA II Sector	1. Democracy and governance		
DAC Sector	43010		
Budget			
Total cost	EUR 2,898,000.00		
EU contribution	EUR 2,898,000.00		
Budget line(s)	22.020101		
Management and Implementation			
Management mode	Indirect management		
<i>Indirect management:</i>	Central Finance and Contracting Unit / Directorate for the financing and Contracting of EU Assistance Funds (CFCU), Ministry of Finance		
Implementation responsibilities	Ministry of European Affairs		
Location			
Zone benefiting from the action	Montenegro		
Specific implementation area(s)	-		
Timeline			
Final date for concluding Financing Agreement(s) with IPA II beneficiary	At the latest by 31 December 2018		
Final date for concluding procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation		
Final date for operational implementation	6 years following the conclusion of the Financing Agreement		
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement		
Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective
Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RIO Convention markers	Not targeted	Significant objective	Main objective
Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

Montenegro applied for EU membership in December 2008 and was granted candidate status in December 2010. In June 2012, following the endorsement by the European Council, the accession negotiations with Montenegro were opened, marking the start of a more intensive phase in the accession process. The screening process was completed in May 2014, when the last screening report was processed by the Council. Montenegro's efforts in the context of accession negotiations will have to focus on fully meeting the political and economic Copenhagen criteria for EU membership, as well as the ability to assume the EU *acquis*. So far, there are 26 (out of 35) negotiation chapters opened and 2 chapters provisionally closed.

In terms of EU financial assistance, Montenegro has been benefiting from the Instrument for Pre-accession Assistance (IPA) since 2007. IPA covered the period 2007-2013 (EUR 235.7 million) and IPA II covers the period 2014-2020 (indicatively EUR 270.5 million). The basis for programming assistance in the next seven-year period (2014-2020) is the *Indicative Strategy Paper for Montenegro (2014-2020)* (ISP) which introduces a sector approach to programming. The ISP has been prepared by the European Commission, in consultation with various national stakeholders, other donors and EU Member States and it was adopted by the Commission on 18 August 2014. There are 8 sectors identified by the ISP which will be supported by IPA during this 7 years financial perspective. In addition to the ISP, the Government of Montenegro has developed and adopted the Economic Reform Programme (ERP) and the Employment and Social Reforms Programme (ESRP) in the first half of 2015, which together with the Development Directions of Montenegro make a basis for strategic prioritisation of the interventions needed for further development of the country.

Having in mind the scale of reforms necessary for accession and the available IPA funds, a key challenge for Montenegro is to focus funds on strategic interventions, while efficiently leveraging national commitments and resource allocations to address the EU accession priorities, ensuring that these are well targeted to achieve impact. In this respect, the institutional structures for programming, implementation and monitoring need to be set up or upgraded and appropriate coordination capacities need to be strengthened. Horizontal coordination (intra-ministerial and inter-ministerial) remains to be tackled as well as consultation with other stakeholders that should take part in identifying priorities and programming IPA resources. In addition, sector priorities need to be more coherent, strategic and result oriented and translated into adequate measures, applying a sector wide approach and thus contributing to the policy objectives, and overall synergy of the accession process at country level. One of the major challenges for the Government of Montenegro (GoM), its administration and institutions is to strengthen the administrative capacities for applying a sector wide and integrated planning approach in designing relevant, well targeted and articulated sector programmes and specific actions, meeting strategic needs to the EU accession process and thus ensuring an effective use of the available EU financial assistance. To this end the Sector Working Groups were established to ensure application of sector approach.

National IPA Coordinator (NIPAC) is the main counterpart of the European Commission for the overall process of strategic planning, coordination of programming, monitoring of implementation, evaluation and reporting of IPA II assistance. The NIPAC Office supports the NIPAC in all issues related to IPA funds.

Although there have been 26 chapters opened, there are still negotiation chapters which require considerable efforts to invest in order to open and close the chapters. These efforts will include both human and financial resources and therefore EU Integration Facility will be used to address some of the challenges in these chapters identified during the screening and negotiation process. Having in mind that functions of Chief Negotiator and NIPAC are performed by the same person, the link and coordination of the accession process and managing EU funds is present and visible, but it still needs support. While a series of institutional building actions were undertaken within the previous IPA programmes, the capacities of line ministries and state agencies remain relatively weak in terms of meeting the demands of EU funding. The capacity for identifying and preparing actions/programmes according to EU standards remains to be improved. This is of particular importance from the perspective of Montenegro's use of structural and cohesion funds, once it becomes a member state. Line ministries and other government institutions involved in IPA programming process are facing

problems with the inadequate composition and quality of documentation related to preparation, implementation and monitoring of IPA programmes. Actions/programmes tend to be prepared without a proper feasibility (cost benefit) assessment, environmental impact assessment (when necessary) and with limited strategic positioning. In parallel, the number of IPA beneficiary institutions is increasing and more Agencies / Directorates / Departments / local governments / CSOs are getting involved in programming and, therefore, the demand for capacity building is still increasing. Furthermore, taking leadership of the donor coordination process is also essential for improving the efficiency of the IPA II instrument and other available external assistance. By involving the active development partners in the programming of the instruments, Montenegro could make a better and more efficient use of the available financial resources.

Having in mind the state of play of the accession negotiation process, it is necessary to have a flexible tool within IPA II, in order to provide timely assistance to the emerging needs in the accession process as well as in the programming of IPA II, thus increasing impact of the EU financial assistance.

Comparing it with IPA, the NIPAC Office portfolio and mandate are more extensive in terms of programming, monitoring and evaluation of IPA II. In addition, preparation of the country for structural and cohesion funds (Chapter 22) is led by the Ministry of European Affairs. These two important and very much linked roles require additional strengthening of its capacities in order to be able to lead the processes and shape the needed structures. Furthermore, as required by the EC and the new WBIF methodology, the country has established the National Investment Committee (NIC). The Single Project Pipeline (SPP) of Montenegro has been adopted on the session of the National Investment Commission, which was held on 2 December 2015, and it was verified by Government of Montenegro on 3 December 2015. The NIPAC Office will closely cooperate with the NIC and its technical secretariat, particularly having in mind that the NIPAC is a member of the NIC.

Having all this in mind, support should be provided to the NIPAC Office in planning and coordination of programming of the IPA-funded interventions. It is particularly important that financed projects target well the specific needs and that the funds are used in the most efficient manner possible. The EU Integration Facility will provide support in programming process, as well as in preparation of adequate accompanying cost-benefit analyses, feasibility studies and/or market analyses, which are prerequisites for good programme/action preparation.

Lastly, it is also fundamental that the stakeholders are able to build-in appropriate frameworks for monitoring and evaluation. Currently, the level of skills and knowledge relating to measuring outputs, outcomes and impact is still insufficient and therefore the institutions will benefit from further capacity building in this area, particularly on the concept of Results Oriented Monitoring

OUTLINE OF IPA II ASSISTANCE

This action will provide effective and efficient response to emerging priorities linked to the EU accession process as well as to improve the quality and maturity of planning and programming documents and to support effective implementation of EU assistance. Therefore, the purpose of the EUIF is to provide high quality, cost-effective expertise to Chief Negotiator / National IPA coordinator but also to sector working groups, line ministries and all other relevant institutions or stakeholders in the overall process of EU accession, IPA II programming and implementation and preparation for cohesion and structural funds.

This Action would focus mainly on technical support and capacity building related to the EU accession process and it should ensure effectiveness and impact of actions financed through IPA II. The EU Integration Facility shall provide flexible support to the national authorities aimed at addressing specific needs identified in the course of the implementation of IPA II, but it may also be used in ad-hoc circumstances where EU assistance is required and/or suggested.

In that sense, the Action will aim to reach the following Results:

- Legislative and institutional capacities of Montenegrin administration for transposition and implementation of the acquis and capacities for leading and carrying out the accession negotiations strengthened
- Capacities and relevant documentation for identification, programming, implementation and evaluation of EU assistance developed

These results will be achieved by implementing different activities such as training, support to legislative harmonization, donor coordination and programming. Special attention will be given to developing strategic planning and sector wide approach.

RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

The *Montenegro 2016 Report* emphasised that planning and procurement needs to be strengthened, and project preparation and strategic planning capabilities need to improve. The *ISP* for Montenegro stresses throughout the need for further improvement in the capacity of the authorities to implement, monitor and evaluate sector strategies.

The *ISP* also states that in order to improve the overall efficiency and effectiveness of delivering assistance to Montenegro, the European Commission is making a gradual transition from a project-based approach under IPA I (2007-2013) to a sector-based approach under IPA II (2014-2020). IPA II support will seek to strengthen the capacity of the national authorities to prepare national strategic documents, ensure sector coordination and monitor the implementation of such strategies and move towards multi-annual, performance-based budgeting.

In addition, IPA II support may also be mobilized in response to unforeseen priority needs relevant to the course of preparations for accession, which do not fall under the aforementioned priority sectors. This may include, but will not be limited to, ad hoc and short-term technical assistance, twinning projects and grants etc.

To increase the effectiveness of IPA II, all management modes, including direct management by the European Commission, indirect management by Montenegro or by accredited international organizations will be available; the decision on which mode to use will be made on a case-by-case basis with due regard to the management capacities of the beneficiary institution. Linked to this is also the capacity of Montenegrin national authorities to prepare mature actions and manage the implementation of EU funds in accordance with EU procurement and financial control standards.

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

The Project Preparation Facility (PPF) and Support Measures Facility (SMF) funds under the previous IPA programmes have been both utilized for delivering short-term assistance in: designing effective strategic plans in different sector areas, often followed by more detailed investment strategies; providing ad hoc support in particular chapters or future areas of negotiation; supporting planning and programming of the EU funded actions by assisting in stakeholder consultations; drafting the action documents and their annexes; and drafting the tender documentation and support the evaluations for the implementation of the EU funded actions.

In the context of preparation of IPA national programmes, it has become clear that beneficiaries require assistance in developing programmes/actions and that it is in particular necessary to provide a facility to enable limited support targeted specifically at the design-preparation phase before larger scale funds are committed to less-well defined and relatively high-risk actions.

Regarding the implementation of the EU Integration Facility under the national IPA 2014 programme, the experience shows that the beneficiary institutions are still relaying in general on the IPA “project approach”. Having this in mind, it is necessary to further draw attention on the importance of the IPA II “sector approach”, and to make sure that the action proposals from the potential beneficiary institutions are also contributing to the development of the respective sectors.

2. INTERVENTION LOGIC

LOGICAL FRAMEWORK MATRIX

OVERALL OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION
To support Montenegro in successfully conducting the process of EU accession and managing the overall EU assistance	Progress in accession to the EU	EC Reports
SPECIFIC OBJECTIVE	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION
SO1: To strengthen overall capacities for accession negotiations, transposition of the <i>acquis</i> and implementation of EU policies;	Number of benchmarks met	Opening/closing benchmark assessment reports
SO2: To improve the quality and maturity of planning and programming documents and support effective and efficient management and absorption of IPA funds	% of EU funds absorption	NIPAC Annual reports
RESULTS	OBJECTIVELY VERIFIABLE INDICATORS (OVI)	SOURCES OF VERIFICATION
R1: Legislative and institutional capacities of Montenegrin administration for transposition and implementation of the <i>acquis</i> and capacities for lending and carrying out the accession negotiations strengthened	Total number of projects focusing on capacity building activities under the EUJF	IPA Monitoring Committee Reports
R2: Capacities and relevant documentation for identification, programming, implementation and evaluation of EU assistance developed	Number of Actions Programmes timely prepared and submitted	NIPAC Annual Reports EC Report
		ASSUMPTIONS
		Continued commitment of government structures to the accession process Low fluctuation in staff working in state administration
		ASSUMPTIONS
		All relevant coordination mechanisms established and functioning Availability and commitment of staff for capacity building interventions

DESCRIPTION OF ACTIVITIES

This Action would focus mainly on technical support and capacity building related to the EU accession process and it should ensure effectiveness and impact of actions financed through IPA II. The EU Integration Facility shall provide flexible support to the national authorities aimed at addressing specific needs identified in the course of the implementation of IPA II, but it may also be used in ad-hoc circumstances where EU assistance is required and/or suggested.

It shall include, but is not restricted to, the following:

- Specific interventions at sectoral level to support achievement of objectives related to EU accession process, including provision of specific expertise, for harmonization / implementation of national legislation, promotion of best practices, in line with the relevant European values, standards and practices, etc.
 - o Support to legislative and institutional capacities for implementation of the acquis
- Training/Coaching activities on leading and implementation of the specific accession requirements
 - o Support to capacity building for accession negotiations
 - o Support to activities for technical implementation of the accession requirements
- Support for the strategic planning of EU assistance with the focus on sector wide approach and preparation for cohesion and structural funds
- Support for strengthening the capacities for identification, programming, implementation, evaluation and monitoring of IPA II and for coordination with development partners active in Montenegro to better align development objectives
- Technical assistance to specific sector/ sub sector working groups in preparation of sector strategies or multi-sector strategies, drafting of (pre-)feasibility and impact studies as well as in preparation of procurement documents

This Action will provide capacity building in programming and identification of Sector Support Programmes / Sector Support Actions / Sector Support Oriented Actions /Stand-alone Actions to SWGs, line ministries and other stakeholders (other state bodies, independent regulators, local self-governments, social partners, civil society, etc.).

The capacity building intervention should support the Chief Negotiator / NIPAC Office to coordinate the overall process of EU integration, but it will simultaneously have an impact on capacities and ownership of line ministries, working groups for specific chapters, sector working groups and other stakeholders to carry out accession negotiations as well as programming of EU assistance which will be thus better linked with the EU accession process.

Having in mind the numerous needs and rather limited funds, the key element for successful use of funds, in order to achieve the desired impact, is coordination. Therefore, the Chief Negotiator / NIPAC Office, in close cooperation with the EU Delegation to Montenegro, established coordination mechanism which will ensure successful coordination and provide timely response to the emerging needs of Montenegro in the process of preparations for accession and the programming of IPA funds.

RISKS

Establishment and functioning of all relevant coordination mechanisms, as well as availability and commitment of the staff for capacity building interventions, represent the main assumptions that are needed before and during the implementation of this Action.

Also, high fluctuation in staff working in state administration, particularly in the beneficiary institutions, represents potential risk that can affect implementation of this Action.

CONDITIONS FOR IMPLEMENTATION

Continued commitment of government structures to the accession process is one of the main conditions that have to be in place for an effective and timely implementation of this Action. Government of Montenegro has expressed its strong commitment to membership of the European Union, which remains as one of Montenegro's highest strategic priorities.

3. IMPLEMENTATION ARRANGEMENTS

ROLES AND RESPONSIBILITIES

The key beneficiary of the Action is the Ministry of European Affairs (Chief Negotiator / NIPAC Office), which will coordinate and implement required technical support that various SWGs, working groups for specific chapters, line ministries and other stakeholders will also benefit from. The national stakeholders will request the assistance through the EU Integration Facility through submitting an official request to the established Steering Committee for EU Integration Facility. The Committee is composed of representatives of the NIPAC Office and of the Delegation of the European Union to Montenegro as an observer, and is chaired by the National IPA coordinator. While the Committee is responsible for determining the eligibility and checking the quality of action proposals, as well as for proposing eligible actions for financing under the EU Integration Facility, in accordance with the adopted Rules of procedure for functioning of the SC. Minutes of the meetings will be sent to the EU Delegation, and where actions are approved for financing, submitted to the EU Delegation to Montenegro for formal prior endorsement.

IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

Implementation will be carried out in indirect management mode. Activities under the facility will be financed entirely by the EU contribution. The Contracting Authority will be the Directorate for Finance and Contracting of the EU Assistance Funds (*CFCU*) in the Ministry of Finance. The Action will be implemented through service, works and supply contracts, twinnings, grants to Civil Society Organisations and direct grants to international organisations for an amount up to EUR 2,898,000.00. Supply Contracts may be divided in several lots if deemed necessary during the implementation.

4. PERFORMANCE MEASUREMENT

METHODOLOGY FOR MONITORING (AND EVALUATION)

In line with the IPA II Implementing Regulation 447/2014, an IPA II beneficiary who has been entrusted budget implementation tasks of IPA II assistance shall be responsible for conducting evaluations of the programmes it manages.

The European Commission may carry out a mid-term, a final or an ex-post evaluation for this Action or its components via independent consultants, through a joint mission or via an implementing partner. In case a mid-term or final evaluation is not foreseen, the European Commission may, during implementation, decide to undertake such an evaluation for duly justified reasons either on its own decision or on the initiative of the partner. The evaluations will be carried out as prescribed by the DG NEAR guidelines for evaluations. In addition, the Action might be subject to external monitoring in line with the European Commission rules and procedures set in the Financing Agreement.

Monitoring and evaluation of the implementation of this Action will be conducted in accordance with the rules of direct management and respecting the requirements and provisions of IPA II regulations and those laid down in the Framework Agreement and in the respective Financing Agreement. Achieving of the Action results will be regularly monitored by the EU Delegation to Montenegro and National IPA Coordinator.

Implementation of this Action will be subject of special attention of Sectoral Monitoring Committee and IPA Monitoring Committee which shall measure progress in relation to achieving the objectives of the actions and their expected outputs, results and impact by means of indicators related to a baseline situation, as well as progress with regard to financial execution. The Sectoral Monitoring Committee will report to the IPA Monitoring Committee and will make proposals on any corrective action to ensure the achievement of the objectives of the action and enhance its efficiency, effectiveness, impact and sustainability.

Moreover, in accordance with Article 8 of the Commission Implementing Regulation (EU) No. 447/2014, NIPAC shall take measures to ensure that the objectives set out in the Action are appropriately addressed during the implementation of EU assistance. Procedures for implementing monitoring activities are set out in the revised Manuals of Procedures aligned with new IPA regulations. Best practices from the monitoring of implementation of previous actions and recommendations given by external monitoring in this sector will be also taken into consideration.

This action shall be subject to evaluations, in accordance with Article 30(4) of Regulation (EU, EURATOM) No. 966/2012 and with Article 22 of the Commission Implementing Regulation (EU) No. 447/2014. The results of evaluations shall be taken into account by the IPA Monitoring Committee and the Sectoral Monitoring Committee

INDICATOR MEASUREMENT

Indicator	Description	Baseline (2010)	Last available (2016)	Milestone 2017	Target 2020	Source of information
<i>ISP INDICATOR(S):</i> Progress in accession to the EU	Montenegro has opened 26 (out of 33 chapters) and the progress is measured with the number of opened/closed chapters	no 0	no 26 opened	33 opened	33 closed or closing benchmarked considered to be met	EC Country Report
<i>ACTION OUTCOME INDICATOR 1</i> Number of benchmarks met	There are number of requirements/benchmarks related to accession process that Montenegro needs to fulfil	0	2	At least 10	At least 20	Opening/closing benchmark assessment reports
<i>ACTION OUTCOME INDICATOR 2</i> % of EU funds absorption	% of absorption of IPA II demonstrated by the percentage of contracted funds by programming years and in total	0	0	50% - IPA 2014 20% - IPA 2015	100% - IPA 2014 100% - IPA 2015 100% - IPA 2016 70% - IPA 2017 30% - IPA 2018	IPA Monitoring Committee Reports
<i>ACTION OUTPUT INDICATOR 1</i> Total number of projects focusing on capacity building activities under the EUJF	Reinforcement of capacity of public administration staff dealing with EU accession activities needs to be address in all sectors.	n/a	2	4	8	NIPAC Annual Reports
<i>ACTION OUTPUT INDICATOR 2</i> Number of Action Programmes timely prepared and submitted	The prioritisation and needs of the Government in relation to the accession process and utilisation of EU assistance will be transposed into quality programmes/ action documents/ interventions	n/a	3	4	8	NIPAC Annual Reports IPA Monitoring Committee Reports

(1) This is the related indicator as included in the Indicative Strategy Paper (for reference only)

(2) The agreed baseline year is 2010 (to be inserted in brackets in the top row). If for the chosen indicator, there are no available data for 2010, it is advisable to refer to the following years – 2011, 2012. The year of reference may not be the same either for all indicators selected due to a lack of data availability; in this case, the year should then be inserted in each cell in brackets. The baseline value may be "0" (i.e. no reference values are available as the Action represents a novelty for the beneficiary) but cannot be left empty or include references such as "N/A" or "will be determined later".

(3) The target year CANNOT be modified.

(4) This will be a useful reference to continue measuring the outcome of IPA II support beyond the 2014-2020 multi-annual financial period. If the Action is completed before 2020 (year for the performance reward), this value and that in the 2020 target column must be the same.

5. SECTOR APPROACH ASSESSMENT

Montenegro currently meets some of the criteria for the sector approach in most of the sectors defined by the *ISP*. Lead institutions have been identified and sector working groups have been established. The Economic Programme (ERP) and the Employment and Social Reforms Programme (ESRP) are good basis for specific sector multi annual programming. In some other sectors, the need for development of new strategic documents focusing on the period from 2017 to 2020 is obvious. However, the capacity to implement, monitor and evaluate the sector strategies, as well as medium term budget planning, needs to be further improved.

Some sectors may benefit from the direct sector budget support, upon meeting the necessary eligibility criteria: namely a stable macro-economic framework, a credible programme to improve public finance management, transparency and oversight of budget, and credible and relevant sector strategies that are consistent with the EU accession strategy. Once these conditions are in place, sector budget support can be provided in those sectors where there is a good strategic basis for implementation of reforms. The first sector considered that received this form of support, under IPA 2015 programme, is the sector of Rule of Law and Fundamental Rights (focused on Integrated Border Management – IBM).

Although the EU Integration Facility will be used to support all the sectors, the funds are allocated within the Democracy and Governance sector, and thus the EU Integration Facility will be also used to support strengthening of institutional and administrative capacities. The key strategy for this sector remains the new Strategy for Public Administration Reform in Montenegro 2016-2020, which was adopted by the Government of Montenegro on 28 July 2016.

6. CROSS-CUTTING ISSUES

GENDER MAINSTREAMING

This Action will specifically contribute to the enhancement of the capacities of staff in all line ministries contributing towards the achievement of international requirements for gender sensitive policies, legislation and programming. All Action activities will respect the principles of equal treatment and opportunities for women, especially trainings and awareness events. Finally, the concept of gender mainstreaming will be taken into account in all stages of programmes/action documents development so as to enable and encourage participation of women in all areas of policy development that this Action will help formulate and support.

EQUAL OPPORTUNITIES

The Action will ensure that the internal policies, structures or operating procedures conform with and promote equal opportunity. In supporting legislative harmonisation, gender needs will be taken into consideration and provisions that enhance equal opportunities will be introduced. All Action activities will respect the principles of equal treatment and opportunities for women, especially trainings and awareness events.

MINORITIES AND VULNERABLE GROUPS

Being a multi-ethnic society, Montenegro is committed to preserving the culture, history, language and religion of its national minorities. Thus the Action will implement mechanisms to ensure that in the legislative process, the internal policies, structures or operating procedures of the beneficiary institutions, the principle of equitable representation of ethnic minorities and the protection of their rights is taken into consideration.

ENGAGEMENT WITH CIVIL SOCIETY (AND IF RELEVANT OTHER NON-STATE STAKEHOLDERS)

Following a call for participation of civil society organisations organised by NIPAC Office, nine (9) civil society representatives are members of the sector working groups. In addition, the Action will encourage other partnerships with civil society representatives, in order to include non-state actors in decision-making on priority support as well as in tailoring of services to be provided by the Action based on the real and urgent needs. Besides the civil society, the Action is open to involve other stakeholders such as media, local authorities and institutions.

ENVIRONMENT AND CLIMATE CHANGE (AND IF RELEVANT DISASTER RESILIENCE)

Environment protection legislation in Montenegro is comprehensive and is going through intensive process of harmonisation with the EU *acquis*. The proposed Action will give due attention to environmental issues.

7. SUSTAINABILITY

Improved programming and capacities to utilise IPA II resources will have direct impact on advancing and accelerating accession negotiations with the EU, which is the ultimate goal of the Government of Montenegro. Therefore, the Action will contribute to the progress and sustainability of achieved results within the reforms of the process of accession to the EU, supported by IPA II.

In addition, the sustainability will be ensured through the established coordination mechanisms for programming and implementation of IPA II, as well as through acquired skills of the state administration in programming of IPA II that will lead to successful implementation of projects and improved programming for next years. Specific knowledge on preparation of relevant documentation, both for programming and for implementation, gained through provision of expertise and/or trainings and coaching will ensure strengthened capacities. Having in mind that NIPAC will have the overall responsibility for coordination of the IPA II, enhanced capacities of the NIPAC Office will have multiple impacts on capacities of sector working groups, but also of working groups for specific negotiation chapters, through direct communication and coordination with the Secretariat of the Negotiation Group (which is part of the MEA).

Financial sustainability will be ensured through better programming of IPA II resources and this will enable utilisation of both IPA resources and State budget resources, contributing to financial sustainability of overall resources invested in reform and accession processes.

8. COMMUNICATION AND VISIBILITY

Communication and visibility will be given high importance during the implementation of the Action. The implementation of the communication activities shall be funded from the amounts allocated to the Action.

All necessary measures will be taken to publicize the fact that the Action has received funding from the EU in line with the Communication and Visibility Manual for EU External Actions. Additional Visibility Guidelines developed by the European Commission (DG NEAR) will have to be followed.

Visibility and communication actions shall demonstrate how the intervention contributes to the agreed programme objectives and the accession process. Actions shall be aimed at strengthening general public awareness and support of interventions financed and the objectives pursued. The actions shall aim at highlighting to the relevant target audiences the added value and impact of the EU's interventions and will promote transparency and accountability on the use of funds. The communication and visibility activities shall demonstrate the benefits of the action for the general public.

The use of *Communication and Visibility Manual for EU External Actions* is compulsory. The contractor shall use the appropriate stationery in letterheads or fax headers sheets and report presentation format, but should add the phrase “*This Action is funded by the European Union*” as well as the EU flag when relevant. Elements of the communication strategy may include: press release, press conferences, leaflets and/or brochures, newsletters, web pages, vehicle panels, promotional items, reports, audio-visual productions. Any supplies or equipment delivered under an EU-funded Action must be clearly identified and must visibly carry the EU logo and the mention “*Provided by the support of the EU*” in the operational language of the EU programme and in the local language.

It is the responsibility of the beneficiary to keep the EU Delegation fully informed of the planning and implementation of the specific visibility and communication activities.

The beneficiary shall report on its visibility and communication actions in the report submitted to the IPA Monitoring Committee and the Sectoral Monitoring Committees.

LIST OF ANNEXES

- 1. Detailed Action budget breakdown and planning for contracting procedures (see attached)**
– note : *for EC internal use only*

ANNEX

Indicative Action budget breakdown and planning for contracting procedures (for EC internal use only)

	BUDGET		TIMELINE ¹	
	Total (EUR)	EU contribution (EUR)	Launch of procedure	Contract signature ²
IMPLEMENTATION MODALITIES				
SERVICES / SUPPLIES / WORKS / GRANTS / STANDARD TWINNINGS	2,898,000.00	2,898,000.00	Q1 2018	Q2 2018
TWINNING LIGHTS / DIRECT GRANTS TO THE INTERNATIONAL INSTITUTIONS			Q2 2019	Q4 2019
TOTAL	2,898,000.00	2,898,000.00		

¹ Timeline: QUARTER (Q1, Q2, Q3, Q4) YEAR

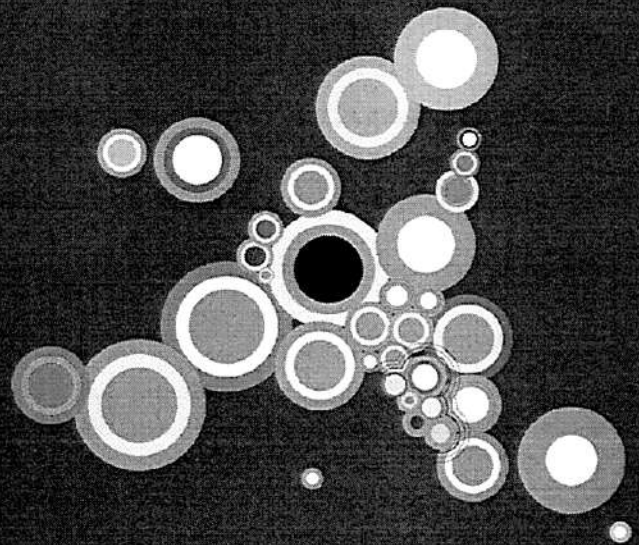
² Contract signature date: if relevant; i.e. for Direct Grants mainly



INSTRUMENT FOR PRE-ACCESSION ASSISTANCE (IPA II) 2014-2020

MONTENEGRO

Support to participation in
Union Programmes



Action summary

This Action will ensure and facilitate Montenegro's participation in EU Programmes by co-financing costs of the "entry-tickets" to be paid by Montenegro in areas such as education, science, culture, employment, entrepreneurship and innovation, taxation, custom system etc.

The Action will enhance participation of Montenegro in Union Programmes, including strengthened ownership and responsibility of Montenegro (including in financial terms) for participation in Union Programmes, and will contribute to an increase in the exchanges with EU Member States.

The focus of the Action will be on the following Union Programmes: COSME, Creative Europe, Europe for Citizens, ERASMUS+, Customs, Horizon 2020, , Fiscalis and EaSI.

Action Identification			
Action Programme Title	Annual Action Programme for Montenegro for the year 2017		
Action Title	Support to participation in Union Programmes		
Action ID	IPA 2017/040-216.02/ME/Union Programmes		
Sector Information			
IPA II Sector	1. Democracy and Governance		
DAC Sector	43010 (multisector aid)		
Budget			
Total cost	EUR 1,914,705		
EU contribution	EUR 970,853		
Management and Implementation			
Method of implementation	Indirect management		
<i>Indirect management:</i> National authority or other entrusted entity	National Fund, Ministry of Finance		
Implementation responsibilities	/		
Location			
Zone benefiting from the action	Montenegro		
Specific implementation area(s)	/		
Timeline			
Final date for concluding Financing Agreement(s) with IPA II beneficiary	At the latest by 31 December 2018		
Final date for concluding procurement and grant contracts	3 years following the date of conclusion of the Financing Agreement, with the exception of cases listed under Article 189(2) of the Financial Regulation		
Final date for operational implementation	6 years following the conclusion of the Financing Agreement		
Final date for implementing the Financing Agreement (date by which this programme should be de-committed and closed)	12 years following the conclusion of the Financing Agreement		
Policy objectives / Markers (DAC form)			
General policy objective	Not targeted	Significant objective	Main objective
Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
RIO Convention markers	Not targeted	Significant objective	Main objective
Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

1. RATIONALE

PROBLEM AND STAKEHOLDER ANALYSIS

The Union Programmes are a series of integrated measures promoted by the European Union, aimed at strengthening the co-operation among the Member States regarding EU policies for a period of time. Union Programmes are financed from the general budget of the European Union, covering different areas: from environmental protection, research and innovation, energy and transport to the development of entrepreneurship and competitiveness, and they represent significant instruments for defining and conducting internal EU policies. For Montenegro, as candidate country which negotiates accession to EU, the participation in these programmes represents an opportunity to be better prepared for accession and also to familiarise itself with the EU policies and operating methods.

The *Thessaloniki Agenda for the Western Balkans: Moving towards European Integration*, endorsed at the European Council on 20 June 2003, indicates that the: "Union programmes will be opened to SAP countries along the lines established for the participation of candidate countries".

Consequently, Framework Agreements have been signed with all the Western Balkan countries to establish the general principles for their participation in the Union programmes. The former State Union of Serbia and Montenegro signed Framework Agreement between the European Community and Serbia and Montenegro on the general principles for the participation of Serbia and Montenegro in Community programmes on 22 November 2004, which came into force on 27 July 2005. Following Montenegro's independence, as Montenegro was not covered any more by the Framework Agreement signed with Serbia and Montenegro, its provisions were included in the *Stabilisation and Association Agreement* signed with Montenegro, as its Protocol 8¹. In order to establish the legal basis for participation in each individual Programme, an International Agreement (previously a Memorandum of Understanding) needs to be concluded between the EC and Montenegro, defining the conditions of participation, including its administrative aspects (financial control, financial resources for participation, eventual inclusion in the programme management etc.). In order to participate in EU programmes, Montenegro has to pay an annual financial contribution in the form of an "entry ticket" to the general budget of the EU.

Through its participation in the Union Programmes, Montenegro has the opportunity to build knowledge and capacities of different stakeholders dealing with European issues; actively participate in the implementation of the EU policies; support different activities of institutions, small and medium enterprises; intensify international cooperation and initiate mobility in relation to EU countries and thus become deeper involved into the European integration process. Participation in the Union Programmes encourages the active involvement of public and private institutions, NGOs, civil society institutions and universities to benefit from the EU accession process. It is expected that the knowledge and skills developed through participation in Union Programmes will be retained within the participating institutions and within the responsible ministries.

OUTLINE OF IPA II ASSISTANCE

Participation in a wide range of programmes in different areas before its accession is beneficial for Montenegro's progressive integration into EU networks. However, the amount of the entry tickets to be paid would have constituted a serious obstacle in obtaining the agreement for participation from the authorities of Montenegro, if they would have to be covered entirely by the State budget. Such a participation in a wide

¹ In Article 1 of the Protocol 8, it is stipulated that Montenegro shall be allowed to participate in the Community Programmes listed in the Annex to the *Framework Agreement between the European Community and Serbia and Montenegro on the general principles for the participation of Serbia and Montenegro in Community Programmes (OJ L192, 22. 7. 2005)* and in the programmes established or renewed after 27 July 2005 as well as in those that contain an opening clause which foresees the participation of Montenegro.

range of programmes in different areas would not have been possible without the guarantee of IPA partial reimbursement.

Montenegro should carefully plan financial contributions, since the part of the entry ticket which is financed from the State budget should increase progressively during the participating years. Moreover, IPA programming experience has shown that line ministries should increase their planning capacities. In order for IPA funds to be available for reimbursement during the participation of the country in a given year, IPA funds need to be earmarked in the IPA national programme of the previous year. This Action will therefore provide IPA II support to Montenegro's participation in the following Union Programmes in 2018:

- *Erasmus+* is the EU Programme in the fields of education, training, youth and sport. It brings together the Lifelong Learning programme, Youth in Action, Erasmus Mundus and Tempus programme. It is designed to support Programme Countries efforts to efficiently use the potential of Europe's human and social capital, while confirming the principal of lifelong learning by linking support to formal, non-formal and informal learning throughout the education, training and youth fields. The programme also enhances the opportunities for cooperation and mobility with partner countries, notably in the fields of higher education and youth.
- *Horizon 2020* is the EU Research and Innovation programme established by the Regulation (EU) No 1291/2013 of the European Parliament and the Council of 11 December 2013. It brings together Framework Programme for Research and Technological Development (FP), the Competitiveness and Innovation Framework Programme (CIP) and the European Institute of Innovation and Technology (EIT). The goal of the programme is to ensure Europe produces world-class science, removes barriers to innovation and makes it easier for the public and private sectors to work together in delivering innovation.
- *COSME* is the Programme for the Competitiveness of Enterprises and Small and Medium-Sized enterprises is the EU Programme established by the Regulation (EU) No 1288/2013 of the European Parliament and the Council of 11 December 2013 with the goal to strengthen the competitiveness and sustainability of the Unions enterprises and to encourage an entrepreneurial culture and promote creation and growth of SMEs.
- *Creative Europe* is the EU programme established by the Regulation (EU) No 1295/2013 of the European Parliament and the Council of 11 December 2013 with the goal to support to the cultural and creative sector. It brings together the previous Culture, Media and Media Mundus programmes and supports: culture sector initiatives, audio-visual sector initiatives and a cross-sectorial strand.
- *Europe for Citizens 2014-2020* is the successor of the previous *EfC* Programme and is established by the Council Regulation (EU) No 390/2014 of 14 April 2014 with the goal to support two areas: European Remembrance and Democratic engagement and civic participation.
- *EU Programme for Employment and Social Innovation (EaSI)* is established by the Regulation (EU) No 1296/2013 of the European Parliament and of the Council of 11 December 2013 with the goal to promote a high level of quality and sustainable employment, guaranteeing adequate and decent social protection, combating social exclusion and poverty and improving working conditions. It brings together three EU programmes managed separately by the EC between 2007 and 2013: PROGRESS, EURES and Progress Microfinance.
- *Fiscalis 2020* is an EU cooperation programme enabling national tax administrations to create and exchange information and expertise. It allows developing and operating major trans-European IT systems in partnership, as well as establishing various person to person networks by bringing together national officials from across Europe.
- *Customs 2020* is an EU cooperation programme providing national customs administrations with the possibility to create and exchange information and expertise. It allows developing and operating

major trans-European IT systems in partnership and establishing various human networks by bringing together national officials from across Europe.

The main direct beneficiaries are the governmental institutions (ministries) which are in charge of the coordination of the selected Union Programmes. The Directorate General for EU Funds within the Ministry of European Affairs is in charge of the overall coordination of the Union programmes. The Ministry of Finance / National Fund is in charge of ensuring that the defined percentage of entry ticket is reimbursed to the national budget. The main beneficiaries are the national stakeholders (e.g. institutions and organizations from the public, private and civil sector) who are eligible participants in the actions implemented under the EU Programmes.

RELEVANCE WITH THE IPA II STRATEGY PAPER AND OTHER KEY REFERENCES

The Action will contribute to all IPA II sectors defined in the *Indicative Strategy Paper for Montenegro (2014-2020)*, by encouraging Montenegro's participation in several Union Programmes before its accession, thus contributing to its preparation and to better absorption of funds and better implementation of projects after its accession, and more specifically: the *Erasmus +*, *EaSI*, *Horizon 2020*, *Creative Europe*, and *Europe for Citizens* programmes support the priority sector Education, Employment and Social Policies; *COSME* supports the priority sector Competitiveness and Innovation; while the programmes *Fiscalis 2020* and *Customs 2020* are in line with the priority sector Democracy and Governance.

LESSONS LEARNED AND LINK TO PREVIOUS FINANCIAL ASSISTANCE

Previous annual IPA programmes, under the Multi-annual Financial Framework (MFF) 2007-2013, were used to co-finance the financial contribution (*entry-ticket*) paid in the previous years by Montenegro for its participation in the Community/Union programmes, such as the *Seventh Framework Programme for Research and Development (FP7)*, the *Entrepreneurship and Innovation Programme (EIP)*, *Culture 2007-2013*, *ICT Policy Support Programme 2011*, *Customs 2013*, *Europe for Citizens* and *Lifelong Learning*. Even though these programmes have been concluded in the MFF 2007-2013, the lessons learned from them are significant for the successful participation in EU programmes in the MFF 2014-2020.

The experience shows that participation in the Union programmes is an extremely important feature of a successful pre-accession strategy. Joining a wide range of programmes before its accession is useful in terms of the country's progressive integration into EU networks. The participation of Montenegro in Union programmes in the period 2007-2013 has contributed to a greater engagement of its different stakeholders with European issues and projects and to the strengthening of their capacities and knowledge regarding EU policies and the underpinning values.

2. DESCRIPTION AND IMPLEMENTATION ARRANGEMENTS

INTERVENTION LOGIC

Objective:

- To ensure participation of Montenegro in Union Programmes by co-financing the costs of the entry-tickets/participation fees to be paid in areas such as set out in the respective international agreements governing the participation to Union programmes or agencies.

Result:

- Enabled and enhanced participation of Montenegro in Union Programmes, including increased exchanges with EU Member States;

- Strengthened ownership and responsibility of Montenegro (including in financial terms) for participation in Union Programmes.

Indicators:

- Number of programmes for which an International Agreement has been concluded;
- Montenegro's participation rates in the different Union Programmes.

IMPLEMENTATION ISSUES

IPA funds of year N co-finance entry tickets / participation fees for year N+1 or in case of front-loading also for years N+1 and N+2 [e.g. participation fees for 2014 are co-financed by IPA 2013; IPA 2014-2020 would co-finance 2015-2021 fees, i.e. the last year of IPA co-financing is falling outside this financial framework].

The overall coordination of EU Programmes in Montenegro is in the mandate of the National IPA Coordinator Office, whose responsibilities include: the programming of IPA funding in order to cover parts of entry tickets, informing the general public about EU programmes, and communication with the EC on one part, and the line ministries on the other, concerning Montenegro's participation in the EU programmes.

In accordance with the rules of individual EU programmes, the participation in them is coordinated by the responsible national line ministries. The national contact points within the line ministries perform different tasks related to the programme coordination, including dissemination of information to potential applicants and the general public, strengthening the capacities of eligible applicants and providing the necessary support in the application processes.

The participation of the IPA II beneficiary in Union Programmes, including payment by the country of the entry ticket/participation fees, shall follow the specific terms and conditions set out for each programme in the relevant International Agreement. Co-financing rates from previous participation shall be taken into account, and in line with the principle of increasing Montenegro's ownership and responsibility IPA funding rates shall decrease over the years in real or relative terms. Montenegro must not only provide the co-financing but also the funds necessary for the payment of the total entry ticket, prior to receiving the partial reimbursement from IPA II. The reimbursement will be paid as a grant to Montenegro. The Ministry of Finance / National Fund is in charge of ensuring that the defined percentage of entry ticket is reimbursed to the national budget. The main beneficiaries are the national stakeholders (e.g. institutions and organizations from the public, private and civil sector) who are eligible participants in the actions implemented under the EU Programmes.

The NIPAC will regularly monitor the participation rates and reports on them as well as on co-financing trends in the context of IPA monitoring committees.

COMMUNICATION AND VISIBILITY

Communication and visibility activities shall be implemented in accordance with the rules of each Union programme. The relevant programme managing entity shall be responsible for monitoring of the visibility activities. The NIPAC office ensures that the national institution participant of the respective Union programme, establishes direct contacts with the EU Delegation in order to plan and implement together visibility actions linked to the implementation of the respective Union programme.

In every visibility event of individual EU Programme specific attention of the participants, the general public and the media will be drawn to the IPA contribution to participation fees enabling Montenegro to participate in that programme. The communication and visibility activities shall demonstrate the benefits of the action for the general public.

3. BUDGET BREAKDOWN

	Total expenditure		IPA II contribution		IPA II beneficiary contribution	
	EUR	%	EUR	%	EUR	%
Entry ticket for COSME 2018	79,705.00	50.00	39,853.00	50.00	39,852.00	50.00
Entry ticket for Europe for Citizens 2018	15,000.00	50.00	7,500.00	50.00	7,500.00	50.00
Entry ticket for ERASMUS+ 2018	50,000.00	50.00	25,000.00	50.00	25,000.00	50.00
Entry ticket for Customs 2018	175,000.00	50.00	87,500.00	50.00	87,500.00	50.00
Entry ticket for Fiscalis 2018	35,000.00	60.00	21,000.00	60.00	14,000.00	40.00
Entry ticket for Horizon 2020 2018	1,400,000.00	50.00	700,000.00	50.00	700,000.00	50.00
Entry ticket for Creative Europe 2018	60,000.00	50.00	30,000.00	50.00	30,000.00	50.00
Entry ticket for EaSI 2018	100,000.00	60.00	60,000.00	60.00	40,000.00	40.00
TOTAL for ACTION	1,914,705.00		970,853.00		943,852.00	

ANNEX

Overview of Montenegro's public institutions that have signed International Agreements with the European Commission and dates of entry into force or latest amendments to the International Agreements

Union Programme	Line Ministry in charge of coordination and contact person	Date of entry into force / latest amendments to the International Agreement
Horizon 2020	Ministry of Science Smilja Kažić-Vujačić Head of the Directorate for International Programs and European Integration e-mail: smilja.kazic@mna.gov.me phone: +382 20 405 351	July 1 st 2014
COSME	Ministry of Economy Maja Jokanović Directorate for Industry and Entrepreneurship e-mail: maja.jokanovic@mek.gov.me phone: +382 20 482 302	June 25 th 2014
Erasmus +	Ministry of Education Vanja Drljević National Erasmus+ Office Coordinator e-mail: vanja.drljevic@mpe.gov.me phone: +382 20 405 346	June 19 th 2014
Creative Europe	Ministry of Culture Milena Ražnatović Directorate for Cultural and Artistic Creativity e-mail: milena.raznatovic@mku.gov.me phone: +382 41 232 583	July 22 nd 2014
EaSI	Ministry of Labour and Social Welfare Biljana Krstajić Senior Advisor, Department for Programming and Implementation of EU Funds e-mail: biljana.krstajic@mrs.gov.me phone: +382 20 482 244	February 17 th 2015
Europe for Citizens	Ministry of Culture Milena Ražnatović Directorate for Cultural and Artistic Creativity e-mail: milena.raznatovic@mku.gov.me phone: +382 41 232 583	October 27 th 2014
Customs	Ministry of Finance Azra Bećović Custom Administration Head of the Department for International Customs Cooperation and European Integration e-mail: azra.becovic@carina.gov.me phone: +382 20 442 021	October 16 th 2014
Fiscalis	Ministry of Finance Veljko Blagojević Tax Administration Assistant Director of the Tax Administration e-mail: veljko.blagojevic@tax.gov.me phone: +382 20 448 180	December 23 rd 2014

ANNEX TO ACTION DOCUMENT

TRANSPORT

IMPLEMENTATION - BUDGET

PART 1 - IMPLEMENTATION METHOD(S) AND TYPE(S) OF FINANCING

Essential elements of the action:

Procurement:

a) the global budgetary envelope reserved for procurement: EUR: 11,343,824

b) the indicative number and type of contracts:

- **Three supply contracts** for activities 2.1. and 2,2, Value: EUR 3,050,000

- **One FIDIC works contract** for activity 1.1. Value: EUR 1,227,050

Note: Supply Contracts may be divided in several lots if deemed necessary during the implementation.

- **Up to 13 service contracts** for activities 1.1., 2.1., 2.2., 3.1., 3.2., 3.3.. Value: EUR 7,066,774.

Total budget for Procurement: EUR 11,343,824

c) indicative time frame for launching the procurement procedure: January – March 2019

PART 2 - INDICATIVE ACTION BUDGET BREAKDOWN AND PLANNING FOR CONTRACTING PROCEDURES

IMPLEMENTATION MODALITIES	BUDGET (€)		TIMELINE	
	Total	EU contribution	Launch of procedure	Contract signature ¹
PROCUREMENT (NO DETAILS PER TYPE OF CONTRACT SHOULD BE PROVIDED)				
Activity 1.1. CROSS BORDER RAILWAY STATION IN BIJELO POLJE				
Preparation and revision of the main design and supervision of the reconstruction works for reconstruction of the Cross border railway station in Bijelo Polje (two service contracts)	147,950	125,757	I Q 2019	II Q 2019
Reconstruction works of the Cross border railway station in Bijelo Polje (one works contract based on PRAG unit price or Fidic Red book conditions)	1,227,050	1,042,993	IV Q 2019	IQ 2020
Activity 2.1. VTMIS II				
Service contract:	1,600,000	1,360,000	IQ 2019	IIQ 2019
Supply contract:			IVQ 2019	IQ 2020
Install missing sensors				
New sensor Skadarsko lake and river Bojana				
New radars Boka bay				
Integration with existing system				
Service contract:	750,000	637,500	II Q 2019	IIIQ 2019
Supply contract:			IIIQ 2020	IV Q 2020
Maritime Single window				

Timeline: QUARTER (Q1, Q2, Q3, Q4) YEAR

Service contract:	150,000	127,500	IIIQ 2019	IVQ 2019
Maintenance and revitalization of main inland and sea waterways				
Activity 2.2. NEW RESPONSE EQUIPMENT ON OIL SPILLS FROM VESSEL AND OFF SHORE OIL				
One supply contract for response equipment:	1,200,000	1,020,000	IQ 2020	IIQ 2020
Multipurpose vessel for open seas				
Small boat with accomodation				
Skimmer, powerpack with hoses				
Light oil coastal recovery boom with reels				
Floating dock for boat or jet				
Floating absorbent boom				
Granulated absorbents				
Training of personnel				
Supply contract:	250,000	212,500	II Q 2019	IIIQ 2019
Revitalization of existing and installation of new marine lights				
Activity 3.1. CAPACITY BUILDING				
Service Contract	1,764,706	1,500,000	Q1 2019	Q3 2019
Activity 3.2. PROJECT PREPARATION FACILITY				
Service contract	2,357,647	2,004,000	Q2 2019	Q4 2019
Activity 3.3 ALIGNMENT WITH EU ACQUIS COMMUNAUTAIRE				
Service Contract	1,896,471	1,612,000	Q1 2019	Q3 2019
TOTAL	11,343,824	9,642,250		

Note that 3.1 and 3.3 could be merged in one single contract

